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Russian Aide Bars Talks With Leader Of Chechens

Clinton Makes Appeal To Both Sides, Saying, 'Violence Must End'

By Steven Erlanger

GROZNY, Russia — As determined Russian troops launched one of the fiercest assaults yet on the center of Grozny, the capital of secessionist Chechnya, the head of Russian domestic intelligence ruled out Friday any negotiations with the Chechen leader, Dzhokar Dudayev.

Sergei V. Stepanin, director of the Federal Counterintelligence Service and a member of the Russian Security Council, said in an interview in nearby Urus-Martan, where he met with leaders of the Dudayev opposition, that after Russian troops took the presidential palace in Grozny, Moscow would install a new government there.

"After we take the presidential palace, the Chechen government will come to Grozny and normal life will begin," said Mr. Stepanin, referring to the Provisional Council he met with Friday in Urus-Martan, 16 kilometers (10 miles) southwest of Grozny. Dressed in a general's field uniform and surrounded by bodyguards, Mr. Stepanin laughed when he was asked about negotiations with Mr. Dudayev, who called for quick peace talks on Wednesday.

"Dudayev is a state criminal," Mr. Stepanin said, suggesting arrest rather than negotiations. "We have to find him first. He's out of Grozny."

President Bill Clinton urged Russia and the Chechen rebels on Friday to "stop spilling blood and start making peace," but he held back from blaming Moscow for the increasingly bloody conflict, Reuters reported. (Page 4)

It was Mr. Stepanin who prosecuted the failed covert effort to overthrow Mr. Dudayev, providing the Chechen opposition with money, arms and finally troops. When their last effort to take Grozny failed in late November, the decision was made in Moscow to invade with up to 40,000 troops on Dec. 11.

The invasion was poorly planned, and what was supposed to have taken three days, as the Russian president, Boris N. Yeltsin, was reportedly assured, has now lasted nearly five weeks.

In Moscow, a deputy defense minister, See RUSSIA, Page 4



WAITING FOR THE POPE — Security officers holding back the crowd in Manila before the arrival of Pope John Paul II's motorcade on Friday. The pontiff switched from a limousine to his glass-sided personal vehicle after throngs of people there protested that they could not see him. Page 2.

Italy Turns To an Expert In Finance As Its Leader

Ex-Treasury Chief Vows Cabinet of Technicians Will Carry Out Reforms

By Celestine Bohlen

ROME — Italy's protracted and bitter government crisis ended Friday with the appointment of a former Treasury minister with international financial credentials to replace Silvio Berlusconi, the businessman-turned-politician who resigned as prime minister on Dec. 22 after seven months in office.

Lamberto Dini, 63, a veteran of the Italian central bank, was named by President Oscar Luigi Scalfaro to lead the country out of its political stalemate and to reassure jittery financial markets.

Mr. Dini said he would form a government of "technicians," who would be free of political ties and charged with tackling Italy's unfinished agenda of fiscal and political reforms.

But within hours of his nomination, it was clear that a Dini government, which must be submitted to Parliament for a vote of confidence once it is sworn in by the president, would come up against the same political pressures and contradictions that were at the heart of Italy's latest political crisis.

Mr. Berlusconi, who clearly intends to stay in politics and fight to win back the position he feels he still deserves, said the new government should be transitional only, put in place to pave the way for new elections.

"Only a rapid return to the ballot box will create a coalition government that is capable of ensuring full stability and political authority," he said.

"Arrivederci," said the flamboyant 58-year-old media magnate at a news conference Friday night. "I am reasonably sure that mine is a brief good-bye."

Mr. Berlusconi has maintained throughout the crisis that a new government should reflect the center-right forces that won national elections last March, with his own Forza Italia movement at the head.

Mr. Dini is not a member of any political party, but his presence in the old government made him widely regarded as a Berlusconi man.

While Mr. Berlusconi was saying he would support Mr. Dini only as a transitional figure, Umberto Bossi of the Northern League — whose defection from Mr. Berlusconi's coalition last month precipitated the fall of the government — was still arguing against any early elections.

"The government can not be a limited-term government which brings the country to elections," said Mr. Bossi, shortly after Mr. Dini's nomination was made public. "It would be impossible to hold national elections in June. This would lead to devastating tensions."

Gianfranco Fini, leader of the National See ITALY, Page 4

For 2d Day, Investors in Asia Mostly Want Out

By Kevin Murphy

and Erik Ipsen

International Herald Tribune

Ignoring official assurances that Asia's financial markets are sound, investors dumped stocks, bonds and currencies across the region for a second day running on Friday.

Latin American markets continued to recover on Friday after the trauma of Mexico's botched peso devaluation, but in Asia there were no signs that foreign investors would be moving back anytime soon. "Any market vaguely emerging or sub-

merging is being downgraded by global fund managers," said Nigel Rendell, emerging markets strategist at James Capel in London. "Fund managers have gotten badly burned in Mexico, and now they are looting for safety."

James Lister-Cheese, a strategist at Independent Strategy, said: "We do not think that the impact of the Mexican crisis is over, and there is certainly a reappraisal of emerging market and high-risk investing in general going on."

At a time when investors can get 7.5 percent on deposits in the United States, few if any emerging markets seem safe

for bets, analysts said. Many fund managers simply do not care to calculate what is a fair market value for the Thai baht much less the shares of a Malaysian timber company. They just want out.

Christian Dums, head of currency trading at Chemical Bank in London, said the new-found sensitivity to risk was not confined to U.S.-based funds, adding that Japanese-based investors had developed a sudden preference for assets denominated in yen.

Monetary authorities took firm action See ASIA, Page 4

Mexico Offers Oil As Loan Collateral

Mexico said Friday it would use its oil revenues to underwrite U.S. loan guarantees that Wall Street has been seeking to justify keeping money in Mexico.

President Bill Clinton and key members of the U.S. Congress backed the plan, which could provide Mexico with as much as \$40 billion in commercial credit.

The credit line is aimed at persuading investors to keep their money in Mexico, or even attract fresh funds from investors seeking bargains.

"The object is to get markets working again," a senior Mexican official said in Mexico City. "It's possible this package will not be used very much at all."

The Mexican stock market rose more than 4 percent, and the peso gained ground. The dollar slipped to 5.20 pesos, from 5.37 pesos on Thursday. (Page 7)

Russians on the Front Line

A Blustering, Self-Pitying Captain

By Lee Hockstader

Washington Post Service

ASSINOVASKAYA, Russia — "I'm the man from the darkness," he said.

He appeared out of the ink black night, standing suddenly in our car's headlights as we journeyed along a rugged country road across a field of fog and mud. His breath smelled powerfully of vodka. He said his name was Yura, but we found out later it was really Ivan.

He was armed with an assault rifle and an officer's pistol; grenades were strapped to his chest, and a dozen soldiers accompanied him. All wore the uniform of the Russian Interior Ministry's army.

There was nothing to see by except our headlights, but even that was enough to make out their faces — tense, scared young men on night patrol in enemy territory.

For the next four hours we were prison-

ers, then guests, of Ivan and his detachment of 96 soldiers, who since Dec. 5 have been dug in near this town, just inside the border of Chechnya and about 40 miles (65 kilometers) west of the Chechen capital, Grozny.

Drunk, blustering and self-pitying, Ivan, a 24-year-old captain, provided a telling glimpse of a military operation gone wrong. By his own account, he loathes his superiors, whom he considers irresponsible and out of touch; distrusts all civilians in the area, whom he regards as potential enemies; and despises the war, which he fears may drag on for three years or more.

"Our leaders just sit there in Moscow," he said. "They don't have any idea what it's like here. They're not the ones who are fighting the war."

"I'm going to keep you here for three or

See IVAN, Page 4



A Chechen fighter grieving for a comrade killed Friday by shelling in Grozny.

Malcolm X Daughter Lands Back in Spotlight, as Suspect

By Charisse Jones

New York Times Service

NEW YORK — Unlike her mother and sisters, Qubilah Shabazz is not an esteemed professor nor an aspiring actress. She is not the oldest child, nor the baby. Her moment in the spotlight was fleeting and tragic, and occurred on Feb. 21, nearly 30 years ago.

That was the day she and her three sisters accompanied their pregnant mother

to the Audubon Ballroom in Harlem, where they saw their father, Malcolm X, walk onto the stage and then heard the gunfire as he fell to the floor — slain by an assassin.

But on Thursday, Ms. Shabazz, 34, became notorious, accused of hiring an assassin to kill the leader of the Nation of Islam, Louis Farrakhan — who was once her father's protégé, then successor, and in the

minds of some of her family, ultimately his betrayer.

It is a suspicion her mother, Dr. Betty Shabazz, has held for 30 years. When asked last March whether she believed Mr. Farrakhan was involved in her husband's death, Dr. Shabazz said: "Of course, yes. Nobody kept it a secret. It was a badge of honor. Everybody talked about it, yes."

It is not known how much Qubilah Shabazz believed in that theory, but she was

indicted in Minneapolis on Thursday by a federal grand jury on charges of using the telephone and crossing state lines in the course of trying to hire someone to kill Mr. Farrakhan, according to David Lillehaug, the U.S. attorney.

[Ms. Shabazz's lawyer said she was lured into a plot to kill Mr. Farrakhan. The

See DAUGHTER, Page 4

Croatian Chief's Decision: The UN's Best Isn't Enough

By Roger Cohen

New York Times Service

ZAGREB, Croatia — By announcing that he will end the United Nations mission to Croatia, President Franjo Tudjman has underscored the fact that the problems of Yugoslavia's violent dissolution remain as profound as ever.

With fighting now reduced in Bosnia, Sarajevo far more quiet than Grozny, and a long-closed stretch of the main Zagreb-Belgrade highway in Croatia reopened, a mild optimism had been in the air here.

But the reality is that, more than three and a half years after the former Yugoslavia began to come apart, the problem posed by the disintegration remains: what can be done about the Serbian minorities in Croatia and Bosnia who wish to retain their links to Belgrade.

In more than three years in Croatia, the United Nations peacekeeping mission has made little or no headway on that question. The 15,000 UN troops and personnel have quelled a war between Croats and Serbs that cost more than 10,000 lives in

1991, but have never come close to convincing the Serbs of the Krajina region that they should accept Croatia's borders.

"We don't want to be in Croatia, in any form," Savo Strbac, a minister in the self-styled government of the Krajina region,

NEWS ANALYSIS

said recently. "Our wish is to live with the other Serbs of the former Yugoslavia, as we did for the past 70 years."

On Thursday, in a brief, grave broadcast address to the nation, Mr. Tudjman made it clear that this wish of the Serbs, who accounted for just over 12 percent of Croatia's prewar population, must be abandoned within the next few months or the risk of renewed war will be real.

He blamed the leaders of the Croatian Serbs for the impasse, but reserved his invective for the Serbian president, Slobodan Milosevic, saying that chief responsibility lay with "the Greater Serbian Bel-

See BOSNIA, Page 4

Kiosk

U.S. Stocks Rally on Retail Sales Data

U.S. stock prices soared Friday after a weak December retail sales report calmed inflation fears. The Dow closed

49.46 points higher at 3,908.46. (Page 7).

Classified Advertising Page 11.

Newsstand Prices

Andorra.....\$9.00 FF Luxembourg 60 L. Fr
Antilles.....11.20 FF Morocco.....12 Dh
Cameroun.....1.400 CFA Qatar.....8.00 Riels
Egypt.....9.00 CFA Reunion.....11.20 FF
France.....9.00 FF Saudi Arabia.....9.00 R.
Gabon.....960 CFA Senegal.....960 CFA
Greece.....350 Dr. Spain.....225 Ptas
Italy.....2,600 Lire Tunisia.....1,000 Din
Ivory Coast.....1,120 CFA Turkey.....T.L. 45,000
Jordan.....1 JD U.A.E.....8.50 Dirh
Lebanon.....US\$ 1.50 U.S. Mil. (Eur.) \$1.10

Dow Jones	Trib Index
Up 49.46	Up 0.26%
3908.46	111.02
The Dollar	Fri. close previous close
DM 1.5345	1.528
Pound 1.5685	1.5735
Yen 98.55	98.805
FF 6.2965	6.2905

Slip Slidin' Away: Studies See 'Big One' in L.A. Future

By Sandra Blakeslee

New York Times Service

NEW YORK — Seismologists have more bad news for Southern California. New computer simulations show that many office buildings, hospitals, malls and other structures that meet the latest earthquake engineering codes will probably collapse in a large earthquake, and it seems more certain than ever that a huge quake will strike densely populated parts of the Los Angeles area.

Two new analyses of the region's earthquake faults suggest that "the big one" is destined to strike the Los Angeles area, and the open question is how soon. Scientists say such an earthquake of magnitude 7.5 could release 15 times as much energy as the magnitude 6.7 temblor that struck the Northridge section of Los Angeles nearly a year ago. That quake was second to Hurricane Andrew as the most costly natural disaster in U.S. history.

The new findings were published Friday in the journal Science. The scientists involved in the studies said the problem with the structures was that building codes were developed without adequate understanding of the forces released in the immediate vicinity of a large earthquake.

Though Southern Californians have been anticipating a major earthquake for years, according to an author of one of the reports, Dr. James Dolan of the U.S. Geological Survey, their attention has been diverted toward segments of the San Andreas fault to the east and north of the Los Angeles basin.

Residents in the south were lulled, Mr. Dolan said, mainly because the Los Angeles region had experienced very few earthquakes in the 200 years before 1971.

In that year, an earthquake with magnitude 6.7 thrust up a then sparsely populated corner of the San Fernando Valley, killing 64 people and causing \$558 million in damage. Alarmed officials tightened building codes to deal with such earthquakes.

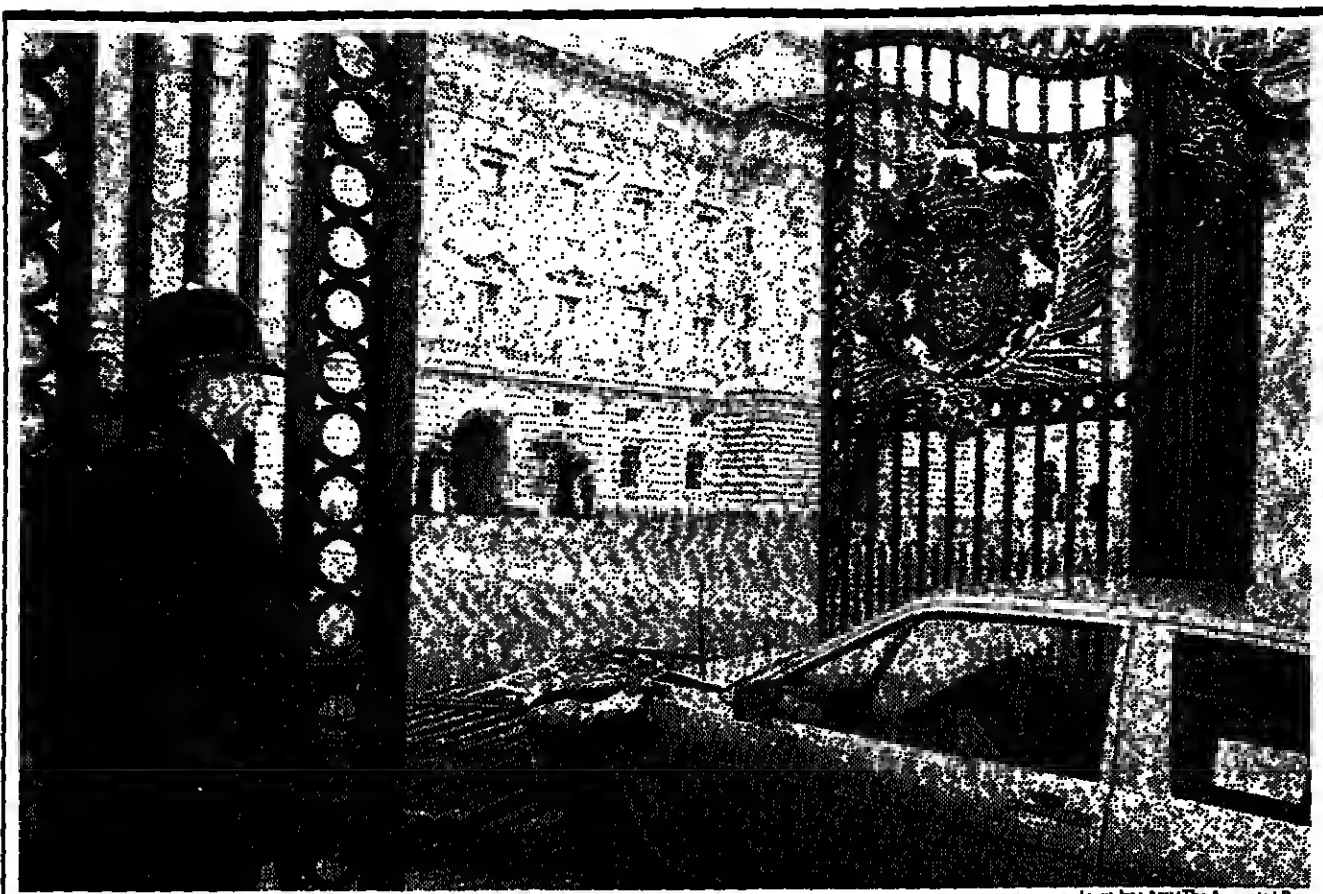
Since 1986, Los Angeles has experienced small to moderate earthquakes on the average of every 18 months, Mr. Dolan said. The largest was the Northridge quake on Jan. 17, 1994, which killed more than 60 people and caused \$10.9 billion in property damage.

After that earthquake, Mr. Dolan and his colleagues took a closer look at the six major fault systems in the Los Angeles region. Most are "blind thrust" faults that lie hidden in the earth at steep angles. When they rupture, huge slabs of crystal rock rush toward the surface or dive deeper with the speed of a rushing locomotive.

Buildings, cars, fire engines and other objects on the ground can go flying into the air as the force of gravity is exceeded — and thus suspended — for a few instants.

The scientists concluded that all of the major known faults in the Los Angeles area appeared to be locked and are accumulating strain that will be released in earth-

See QUAKE, Page 4



GATE CRASHER — An motorist in London found his way to Buckingham Palace in the dark early Friday, but the gate is as far he got. The driver, who was uninjured when the car knocked down the grille, was in police custody.

U.K. Animal-Lovers Fight Last Roundup

By William E. Schmidt
New York Times Service

SHOREHAM, England — Until last week, Rosemarie Burtenshaw had never been to a political meeting, let alone joined a protest rally. But for four nights, she was among several hundred demonstrators along the harbor front here, jostling with the police and spilling into roads to turn back trucks carrying bleating cargoes of week-old calves to the docks.

"My son and daughter begged me not to come," said Mrs. Burtenshaw, 52, a quiet part-time legal secretary. "But I couldn't stand by and watch while our town was used to ship these poor animals across the Channel. I had to do something."

Behind her, other demonstrators — a ragged coalition of militant vegetarians, radical political activists, and ordinary folk who say they cannot abide cruelty to animals — were huddled in a cold rain, carrying hand-lettered signs that read: "Shame on Shoreham."

This harbor on the south coast has become the center of an emotional nationwide campaign aimed at halting the export of live British farm animals to Continental markets. Shoreham is one of a handful of British ports that still permit the trade, which was abandoned under public pressure last summer by all of the major cross-Channel ferry companies.

To animal rights defectors it is clear-cut moral issue: better to slaughter the animals

humanely here, rather than export live sheep, lambs, and calves to meat producers over there, where some argue that they may be subjected to inhumane treatment not permitted in Britain.

They say that the animals are forced to undergo long truck trips without food, water, or rest after arriving in Channel

"I'm not an anarchist, and I'm not a vegetarian. But if we don't allow animals to be treated that way here, how can we allow them to be shipped over there?"

Trevor Fawbert, 54, a retired telephone company engineer.

ports, and that most of the calves sold off to the Continental veal trade are destined to spend their final few weeks before slaughter being force-fed a special milk and meal diet tethered in narrow crates.

Continental producers say the method insures a whiter, tenderer veal cut, at less cost. In Britain, where veal consumption is a fraction of what it is in the rest of Europe, the government banned the use of the crate system in 1990, declaring it inhumane.

"What is wrong is the sheer hypocrisy of it all," said Trevor Fawbert, 54, a retired telephone company engineer. "I'm not an anarchist, and I'm not a vegetarian. But if we don't allow animals to be treated that way here, how can we allow them to be shipped over there?"

For the most part, the demonstrations in Shoreham have been peaceful. But more than 1,000 police officers remain on call in the area after an outbreak of violence one night last week, in which angry protesters clambered onto the cabs of livestock trucks, smashing windshields and headlights. So far, about 50 people have been arrested.

Britain is home to a militant fringe of animal rights supporters, including saboteurs bent on wreaking havoc at fox hunts and extremists willing to use terrorist tactics. Last month, the 28-year-old leader of an extremist group called the Animal Liberation Front was sentenced to 14 years in prison for firebombing butcher shops and meat-trucking companies.

The thought of young English calves being sent to a cruel end in France or the Netherlands has touched another nerve here, stirring the deep xenophobia for all things beyond the English Channel.

Welsh Airport Sealed Off

Demonstrators blocked an airport at Swansea, Wales, on Friday to stop a consignment of calves from being flown out. Reuters reported from London.

Algiers Turns Down Opposition Call for Talks and Elections

By William Drozdiak
Washington Post Service

ROME — Eight Algerian opposition groups, including the outlawed Islamic Salvation Front, signed a joint declaration Friday that offered negotiations with the army-backed government that would lead to democratic elections.

But Algeria's state-controlled radio rejected the proposal, saying it had only reiterated previous positions.

"The opposition parties who signed the Rome declaration have only endorsed the known position of the banned Islamic Salvation Front," reported the radio, quoted by Reuters in Tunis.

The Rome declaration warned that Algeria faced "an unparalleled state of terror" that could soon erupt into a full-blown civil war unless something was done to halt the escalating violence. But they insisted that for serious negotiations to succeed, all political prisoners must be released and the army must agree to keep out of politics.

In the past, those conditions have been unacceptable to the Algerian government, headed by President Liamine Zoual. He tried to break the stalemate last year by attempting open dialogue with two Islamic Liberation Front leaders, Abassi Madani and Ali Belhadj, who were moved from a remote desert camp to house arrest in Algiers.

But those talks foundered over the critical issues of the army's future role, the nature of a transitional regime and the status of an estimated 10,000 political prisoners, Algerian sources said.

The latest peace initiative marked the first time that Algeria's disparate opposition parties had reached a common stand on trying to end the conflict that erupted three years ago, when the army stepped in to block elections that the Islamic militants appeared poised to win.

It also demonstrated a growing alliance between the Islamic militants who are waging a deadly underground war with government security forces and the National Liberation Front that held a monopoly on power for three decades since Algeria won independence from France in 1962.

Anwar Haddam, the Islamic Front's parliamentary speaker, who lives in exile in Washington, said the Rome meeting showed the opposition groups were now united in showing good faith to open serious discussions with the government on Algeria's future.

In their joint declaration, the opposition groups declared that "a global, political and equitable solution is urgently needed to open other prospects for a population that aspires to peace, stability and popular legitimacy."

Besides freedom for political prisoners and an end to the army's political role, they demanded an end to torture and censorship, a closing of the detention camps where political opponents have been held and the lifting of the state of emergency declared three years ago.

The common statement of purpose came after a week of discussions here under the sponsorship of the Sant'Egidio Community, a Roman Catholic peace group that has been active in mediating settlements to wars in Africa and the Middle East.

The Algerian government, which spurned an offer to join the first round of talks in November, strongly criticized the opposition gathering and accused Sant'Egidio of interference in Algeria's internal affairs.

But Andrea Riccardi, president of the church group, an assembly of opposition groups, dismissed the charge and said the death toll had become so high that nobody in the international community could remain indifferent. Indeed, he said, the past week's sessions "may very well mark a historic change."

WORLD BRIEFS

U.S. Cites Decline of Rights in China

WASHINGTON (Reuters) — The U.S. State Department said Friday that there had been a "deterioration" in the human-rights situation in China since Washington stopped linking it with China's most-favored-nation trading status.

But the State Department spokesman, David Johnson, said that the two developments were not necessarily connected, and that it was too early to tell whether the administration policy of trying to improve human rights in China through expanded commercial relations had failed. The U.S. policy change took place last May, while Beijing has recently received a UN monitor on religious intolerance and released some dissidents, it has harassed and imposed harsh sentences on others and done little to demonstrate a more serious commitment to rights, he said.

Foreign Minister, Walesa's Ally, Quits

WARSAW (Reuters) — Poland's centrist foreign minister, Andrzej Olechowski, gave up his lonely fight against hostile leftist cabinet colleagues Friday and quit.

"After deep consideration, I came to the conclusion that I do not want to remain in this government anymore," said Mr. Olechowski, almost the last ally of President Lech Walesa's in the coalition government.

The minister had been under siege for months, partly due to a fight between Mr. Walesa and the coalition of former Communists and a farmers' party over control of the key ministries of defense, foreign affairs and the interior. The defense minister's post has been empty since Mr. Walesa dismissed his estranged ally Piotr Kolodziejczyk in November.

Six Guerrillas Killed in East Timor

JAKARTA (Reuters) — Indonesian troops killed six members of the Fretilin guerrilla movement in an ambush near a remote East Timor village, a regional military spokesman said Friday.

The guerrillas were shot and killed during an ambush on Thursday in Guana Kompleks village in the Ermera regency, 80 kilometers (50 miles) west of Dili, the territory's capital. Major Laedan Simbolon said. The military's report of the deaths could not be independently confirmed.

Major Simbolon said an additional 29 Fretilin members who managed to escape were being pursued, adding that the troops searched for the guerrillas after being tipped off by local people.

Pasqua Throws Backing to Balladur

PARIS (Reuters) — Interior Minister Charles Pasqua threw his weight behind Prime Minister Edouard Balladur's presidential candidacy on Friday.

In a letter published by Le Monde, Mr. Pasqua told Jacques Chirac, the mayor of Paris and his longtime political colleague, that Mr. Balladur "appears to me the person best placed to defend our ideas and unite a broad majority of the French people." Mr. Balladur is expected to announce his candidacy next week.

Mr. Pasqua said in the letter he had made his decision in the national interest and would try to preserve the unity of the Gaullist RPR movement, to which Mr. Chirac and Mr. Balladur both belong.

6 Wounded in Egypt Train Ambush

CAIRO (AFP) — Islamic militants wounded two Argentine tourists and four Egyptians in an ambush on a train near the ancient city of Luxor in southern Egypt, the police said.

The militants sprayed the train with automatic-weapons fire as it headed north late Thursday to Qus, about 650 kilometers (400 miles) south of Cairo, they said. None of the victims were reported to be in serious condition.

For the Record

The main opposition group in the Afghan war said Friday that it would temporarily lift its blockade of roads leading into the Afghan capital, Kabul. A spokesman for the Islamic Party said the roads into Kabul would remain open for a week while a UN mission negotiated with the rival factions. (AP)

With a Sri Lanka truce holding for a sixth day on Friday, the government said its negotiators and Tamil rebels would meet soon to discuss ways of ending the 11-year civil war. (AP)

Correction

A brief article on Page 2 in Thursday's editions incorrectly stated that the United Nations Volunteers program was being transferred from New York to Bonn. The agency is currently in Geneva.

TRAVEL UPDATE

Strike Raises a Stink at Paris Airport

PARIS (AP) — A strike for the last two weeks by cleaning staff at Charles de Gaulle International Airport has left toilets blocked and trash strewn about two of the airport's five terminals.

Passengers at the airport north of Paris were waiting for flights amid thousands of discarded baggage tags and other refuse and the odor of decaying garbage and plugged-up toilets.

Some Air France ticket agents moved into a neighboring terminal Friday to handle passengers, citing "deplorable hygiene conditions." Air Canada ticket agents said they would follow suit.

Pilots who work for Scandinavian Airlines System's SAS commuter service threatened Friday to call a two-day strike, starting Jan. 26, unless the airline agreed to resume negotiations on pay and other issues. The threat was issued by Danish and Norwegian unions representing the pilots, who operate about 10 percent of SAS services. Involved are propeller flights connecting Copenhagen with Swedish destinations, Prague, Berlin and Luxembourg, as well as domestic flights in northern Norway. (Reuters)

Alitalia Airlines will raise fares on domestic routes by 3.5 percent Sunday to compensate for the decline in the value of the lira and higher costs, the airline said. (AP)

European Union countries should impose speed limits of 120 kilometers per hour or less on expressways, the European Transport Safety Council has recommended. The private group also suggested that devices to limit speed be required on cars. (Reuters)

The death toll from a cholera epidemic in Cape Verde has reached 19, with 290 cases of the disease reported since Nov. 15, but the Health Ministry said the outbreak, limited to Santiago Island, was under control. (Reuters)

Permission for a new airline to replace Zambia Airways, which was liquidated by the government, has been sought from the Zambian Transportation Ministry by a group of Zambian, Canadian and South African business partners who have raised \$3.5 million for the project, about half the capital required. (AP)

Pakistan and India Seek Peace, Perry Says

Reuters

NEW DELHI — The U.S. defense secretary, William J. Perry, said Friday that India and Pakistan were committed to avoiding a fourth war, and he urged the longtime foes out to deploy ballistic missiles that could endanger regional peace.

"I think both governments are committed to working for peace and avoiding another war on the subcontinent," he said at a news conference on the second day of a three-day visit to India.

On another issue, Mr. Perry said the United States did not consider China to be a significant security threat, despite an

increase in its military spending.

"China has quite clearly a substantial military capability," Mr. Perry said at a news conference in New Delhi. But he added: "It does not represent, in my judgment, a significant threat, either on a global scale or on a regional scale. Nor do I believe the Chinese government has aggressive or offensive intentions."

Asked if there was an increased chance of war between Pakistan and India, Mr. Perry, who earlier in the week spent two days in Pakistan, said: "I saw no evidence in my visit here of any increased threat of a war between India and Pakistan."

He said he had urged both countries to resume talks to reduce tensions, which stem largely from a long-standing dispute over the Himalayan region of Kashmir.

"I believe there is an interest in both countries in resuming dialogue on this question," Mr. Perry said. "There was no specific plan put forward by either government to do that."

India accuses Pakistan of training and arming Muslim separatists in Kashmir. Islamabad says it provides only political and diplomatic support.

Mr. Perry said he had urged both Islamabad and New Delhi not to deploy ballistic missiles. "An arms race involving ballis-

tic missiles would greatly add to tensions that already exist in this area," he said.

India has developed short-range Prithvi missiles, and Pakistan has acquired roughly equivalent M-11 missiles from China.

Magic Charms Ineffective

HARARE, Zimbabwe — A man pleaded guilty to offering sun-dried human hearts for sale as magic charms and fined 400 Zimbabwe dollars (\$48), according to press reports Friday, Berne Landsberg, 45, admitted in court that the hearts were stolen from corpses in a Harare hospital mortuary.

100 Killed In Bangladesh Train Wreck

The Associated Press

DHAKA, Bangladesh — A passenger train rumbled into a stationary train in northern Bangladesh on Friday, and at least 100 people were reported killed.

The collision at Hilli, 170 miles north of Dhaka, occurred Friday when the Simanta Express, bound for Khulna, collided with a local train, railway officials said.

Both trains were packed with passengers, but officials could not specify the total number of those aboard the two trains.

At least 21 bodies were recovered, officials at a nearby railway office said, and more bodies were trapped in the wreckage. They estimated that as many as 200 people had been injured.

State-run television reported "many" casualties. Two Dhaka mass-circulation newspapers quoted their reporters at the scene as saying that at least 100 people were killed.

Mostafa Jamil, a spokesman of Bangladesh Railways, said the two engines and at least four coaches were badly damaged.

He said a relief train with carrying aid workers and medical supplies was heading to the site of the accident from a neighboring station.

Pope Ignores Reported Threat in Manila

By Alan Cowell
New York Times Service

MANILA — The Philippines authorities said Friday that they had unearthed a conspiracy by Muslim extremists to assassinate the Pope during his visit here, but John Paul II seemed to ignore the threat in favor of appearing before huge crowds who turned out to see him.

After days of newspaper reports chronicling the purported plot, Defense Secretary Renato de Villa said two people had been arrested following a police raid a week ago on an apartment building only a few hundred meters from where the Pope is staying. Newspaper reports said bomb-making equipment had been found in the apartment.

The Pope arrived here Thursday and is to leave on Monday for Papua New Guinea to continue an 11-day Asian tour that will take him on to Australia and Sri Lanka. The voyage is by far the most arduous since the Pope underwent surgery for a broken leg last April that has been far slower to mend than his physicians had forecast.

Aides had to help him clamber up steps during a ceremonial visit to President Fidel V. Ramos on Friday, but, before the encounter, the Pope switched from a limousine to his glass-sided personal vehicle after people in a crowd of thousands protested that they could not see him.

"John Paul II loves you," he told a gathering of 100,000 people at a rally later at the University of Santo Tomas, the oldest Roman Catholic university in Asia. An estimated 3 percent of the population of Asia are Catholics, and most of those live in the Philippines.

"Enormous tasks lie before the youth of the world, especially before the Catholic youth of the Philippines, of Asia and the Far East," the Pope said Friday.

Word of a conspiracy against

him recalled May 1981, when the Pope survived an attempt on his life in St. Peter's Square by a Turkish gunman. Since then, the Pope has attributed his survival to divine intervention, saying providence has given him extra time on Earth.

According to Filipino officials, a group of more than 20 Muslim terrorists has infiltrated the Philippines in recent weeks, slipping into the country through the southern island of Mindanao, the home of the country's Muslim minority.

Newspapers said they included a 26-year-old Kuwaiti of Palestinian descent, identified as Abdul Mahmoud Abdul Karim. He was described as an electronics expert. The police are also said to be seeking four Pakistani passport-holders.

There has been no independent corroboration of the reports. Last week, though, U.S. officials said Philippines authorities had warned of another plot to bomb an American airliner in the region to coincide with the papal visit.

AMERICAN TOPICS

Defending Black Colleges

Historically black colleges and universities are "essential," despite a trend to merge public minority colleges into predominantly white schools, said the American Association of University Professors.

Many black students learn better at predominantly black universities, where African-American professors and black graduates serve as role models, the association said.

A yearlong study by the association found that historically black schools produce more than a quarter of U.S. black college graduates even though these institutions make up only 3 percent of all institutions of higher learning. The schools offer psychological

advantages to students by creating "an environment that nurtures self-confidence," the study said.

In 1992, the Supreme Court ruled states must justify or eliminate funding for institutions that promote segregation, including historically black colleges.

This could well "lead to greater mergers and closings of historically black institutions," said Gloria Mison, a professor at Clark Atlanta University.

Short Takes

For the last year, California law has required that children under 18 wear helmets while riding bicycles. The police say it is too early to assess the results, but doctors are happy. Patrick Romano, a pediatrician at the university medical center at Davis, said, "They're still coming in with extremity injuries, but they're not as bad as they would be without a helmet." Some authorities say a helmet can

reduce the risk of severe head injury by 85 percent.

A tiny computer embedded in the caps of drug bottles is designed to solve one of medicine's most vexing problems — patients who don't take their prescription medication. The SmartCap, made by Apex Corp. in California's Silicon Valley, beeps when it's pill-taking time and counts how many times the cap is removed each day and when. The information can be relayed automatically to Apex, which can then remind the patient by phone.

An insurance agent known to his neighbors in Kewanee, Illinois, as a gregarious, civic-minded fellow pleaded guilty to burglarizing 80 homes, including those of friends and clients. Roger Harlow, 47, charged with people to determine when they would be away, then broke into their homes and made away with jewelry and other valuables, the police said. No sentence

ing date was scheduled. In one burglary, Mr. Harlow met a friend for dinner at a restaurant, then excused himself, stole diamond earrings from her home and returned to the table 20 minutes later.

Since dogs were being barred from the parks of Ashland, Oregon, dog owners got the city of 18,000 to create a park for themselves and their pets on the outskirts of town. It isn't much: a few acres of sloping ground with a rough suble of mowed grass and a wire fence. A city spokesman said it all cost about \$1,000, mostly for the fence. Dogs and their owners love it. "All I have to do is say, 'Park,' and he's all worked up," Allen Bergerson said of her mutt, Jet, who rolled in the grass with another dog named Wally. "We have room for him to run at our house, but they don't have the companionship. They love to get with the other dogs, as you can see."

International Herald Tribune.

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THE AMERICAS / AMENDMENTS

Republican Tax Clause Skids Leadership Losing Party Support for Measure

By Michael Wines
New York Times Service

WASHINGTON — It is starting to look as if a major subcommittee of the House Republicans' "Contract With America," one that is intended to make it almost impossible for Congress to raise taxes, lacks enough Republican support to survive.

And it now appears that a more moderate proposal, conceived and nurtured in part by conservative Democrats, has the best chance of winning House approval, and perhaps Senate approval, too, as part of

a balanced-budget amendment to the Constitution.

The amendment was the object of maneuvering Thursday as support appeared to diminish for the clause in the Republican leaders' version of their proposal that would require that all tax increases be approved by a three-fifths "super-majority." Current law requires only a simple majority of voting lawmakers to increase taxes.

When the House Judiciary Committee voted Tuesday to approve a balanced-budget amendment, the supermajority requirement for tax increases was part of it. But in an interview, a senior Republican aide said that such a hurdle to future tax increases "ain't gonna fly" when the amendment reaches a House vote, later this month.

And Representative Charles W. Stenholm, Democrat of Texas, a conservative, said he had secured the backing of at least 65 Democrats for an amendment with a lower barrier to tax increases.

That is significant because constitutional amendments require approval by two-thirds of each chamber of Congress, a number that Republicans cannot muster without at least 53 Democratic votes in the House. The Republican leadership's version of the amendment has little Democratic backing in either the House or the Senate.

Mr. Stenholm said his amendment "is the only one that's got a chance of passing" in the new Congress.

Republican leaders in the House stopped short of admitting that. But an aide to the House majority leader, Representative Dick Armey of Texas, said lawmakers would get a chance to consider both versions of the amendment when the matter comes to the floor.

Mr. Armey told reporters this week that he "can live with" Mr. Stenholm's less restrictive version of the amendment, the newsletter Congress Daily reported.

Mr. Stenholm's amendment, also sponsored by Representative Daniel L. Schaefer, Republican of Colorado, would require an absolute majority of senators and representatives — that is, a majority of the total membership of each house — to approve a tax increase before it becomes law.

An identical measure was considered in both the House and the Senate in the last Congress, but failed to pass. The current version favored by the Republican leadership — the three-fifths version — is getting its first review. "A strong component of Democrats, and even some Republicans," oppose it, said Jane Guerrero, an aide to Mr. Schaefer.

"Some freshmen want the three-fifths," she said. "But the choice is our version, or no version, and the leadership agrees."

Gray Wolf Is Back in Yellowstone

The Associated Press
YELLOWSTONE NATIONAL PARK, Wyo. — After two decades of debate and days of last-minute legal wrangling, the gray wolf returned to America's oldest national park on Friday.

The wolves were released from cages after a federal appeals court panel lifted an emergency stay blocking the restoration effort. The stay had been requested by two groups representing ranchers, who are worried that the wolves will attack their cattle and sheep.

On Thursday night, biologists rushed to the remote sites where eight wolves were being held and opened their kennels, allowing them to roam a fenced-in, one-acre area.

The plan calls for the wolves to stay in the area for at least a month, to get used to their new surroundings, before being released into the wild.



The U.S. Fish and Wildlife director, Mollie Beattie, left, getting a hand with a wolf cage from Interior Secretary Bruce Babbitt, center, and Mike Finley, Yellowstone's superintendent. A federal court allowed the wolves' release.

★ POLITICAL NOTES ★

Ex-Officers Fall Into Step Behind Clinton

WASHINGTON — Retired senior military officers who supported President Bill Clinton when his military credentials were under assault in the 1992 campaign have come to his aid again, assembling at the White House for what one participant called a "blunt, free-wheeling" advice session.

Mr. Clinton moderated a discussion with 20 retired officials and administrators on subjects ranging from the military's readiness problems to dealing with Congress on budget issues.

A retired admiral, Stansfield Turner, a former CIA director who endorsed Mr. Clinton's candidacy, said the group was reaffirmed in their beliefs about "the president's sincerity in dealing with military matters."

A former army general advised Mr. Clinton to "forget about" people who criticize him for avoiding service in Vietnam, and not to be "self-conscious" about being commander in chief. (WP)

A Struggle Over Democrats' 1-2 Punch

WASHINGTON — Ending his tortured search through the divided landscape of Democratic politics, Mr. Clinton confirmed earlier speculation and named a two-man team to lead the Democratic Party to help propel him to a second term.

The announcement that Senator Christopher J. Dodd, the liberal senator from Connecticut, was Mr. Clinton's choice to be general chairman of the party, and Donald Fowler, the longtime Democratic committeeman from Columbia, South Carolina, would be the party's national chairman and full-time operating officer was made in a written statement at the White House late in the day Thursday.

The choices must be ratified by the Democratic National Committee at its meeting here next week.

Presidents normally name their party chairs in person, flanked by their choices. The unusual mode of the announcement — it was originally going to be delayed until Mr. Fowler could return to Washington and appear with Mr. Clinton — was evidence of the struggle in producing the team and the White House desire to have it over with. (WP)

Telecommunication? No Communication

WASHINGTON — Senator Larry Pressler of South Dakota has ordered Republican staff members on the Senate Commerce Committee not to talk to telecommunications industry lobbyists while drafting a bill affecting their industry, and not to talk to consumer groups either.

A spokesman for Mr. Pressler, the committee chairman, said the ban would last about two weeks, or until his proposed legislation to modernize telecommunications and expand the industry's markets was polished and put before the committee.

Several recent efforts to pass new telecommunications laws have foundered after conflicting pressures from different interests within the industry.

A spokesman for the committee's senior Democrat, Senator Ernest F. Hollings of South Carolina, scoffed at the Pressler statement. The spokesman said no similar ban would be imposed on Democratic aides. (NYT)

Quote/Unquote

Former Secretary of State James A. Baker 3d, testifying before the Republican-controlled House Committee on International Relations:

"The United States of America has an obligation to lead internationally, and we can only lead internationally, effectively, if we understand that the president has primary responsibility for the conduct of the nation's foreign policy. Attempts at congressional micromanagement of foreign policy were a bad idea when the Democrats were in control, and they remain a bad idea today." (NYT)

Oprah Says On Camera She Used Cocaine

By Ellen Edwards
Washington Post Service

WASHINGTON — Oprah Winfrey, the host of the most-watched daytime television talk show in the United States, broke down while taping a program about recovering from drug abuse and admitted that she had smoked cocaine in her early 20s.

The program, taped in Chicago, dealt with women who have had drug problems. Four mothers were the guests.

Deborah Johns, a spokeswoman for the show, said Thursday that Ms. Winfrey, who turns 41 this month, would have no comment, adding only that on the program, "Oprah made a spontaneous admission to mothers battling drug addiction that she had also used drugs."

"Oprah's words on the show are the best expression of how she feels," the spokeswoman continued. "Please watch the show."

She declined to provide a transcript of the program, which was taped Wednesday.

Ms. Winfrey's admission came after a discussion with one woman, identified only as Charmaine, who said she currently smoked crack cocaine but was not sure whether she was an addict because she was still functioning in her daily life.

Wife's Log Said to Detail Simpson Abuse

By Kenneth B. Noble
New York Times Service

LOS ANGELES — Nicole Brown Simpson assembled a meticulous record of abusive acts committed by her former husband, O. J. Simpson, in the weeks and months before she and her friend Ronald L. Goldman were found slashed and stabbed to death, according to prosecutors, describing it as a record for posterity should something happen to her.

"What you're hearing so far in this case is nothing more than O. J. Simpson's life," Christopher Darden, a deputy district attorney, told reporters Thursday, referring to Mrs. Simpson's archive. "This is his character, his behavior, and it has come back to haunt him."

Elements of that record, all of which were found in her safe deposit box in December, include a will; a journal in which she wrote of Mr. Simpson stalking her; photographs of her bruised face; letters of apology that Mr. Simpson wrote to her; and news clippings reporting a well-publicized incident in which he attacked her on New Year's Eve, 1989.

Mrs. Simpson was hospitalized, Mr. Simpson subsequently pleaded no contest to spousal battery, and was required to

undergo counseling and pay a \$700 fine.

Prosecutors tried to use Mr. Simpson's own words against him, quoting from his letters in which he expressed regret for the 1989 New Year's fight.

"Let me start by expressing to you how wrong I was for hurting you," Mr. Simpson wrote. "All I wanted to do was make love to you and express to you how proud I was you were my wife." In another letter, he wrote, "I've never been more disappointed in myself than I am now."

Prosecutors offered for the first time on Thursday what they believe to be the reason that Mr. Simpson killed Mr. Goldman, a friend of Mrs. Simpson's who worked in a restaurant that she frequented.

He was jealous of anyone who paid attention to his former wife, they said. In Mr. Goldman he saw "a potential suitor," said Deputy District Attorney Hank Goldberg. Friends of Mr. Goldman's have said that his relationship with Mrs. Simpson was platonic.

Gerald Uelman, a member of Mr. Simpson's defense team, offered an alternative explanation for the record that she kept.

"The facts will show all of this took place in the wake of the 1989 incident," Mr. Uelman said.

He said Mrs. Simpson kept records only because she wanted to use evidence of the incident in their divorce settlement.

Prosecutors have been trying to persuade Judge Lance A. Ito of Superior Court to admit into evidence the history of the marital discord. Their strategy is to demonstrate that battering and abuse were acts of a jealous, obsessive man determined to control Mrs. Simpson, and that her murder was the culmination of that effort to denigrate and control.

The defense contends that such information is irrelevant, that marital disputes, even violent ones, do not necessarily lead to murder, and that none of the material pertaining to the Simpsons' marriage should be presented to jurors.

Trying to bolster their arguments for including the materials, prosecutors revealed that five days before her murder, Mrs. Simpson sought help from a Santa Monica shelter for battered women because she believed that Mr. Simpson was stalking her.

But Johnnie L. Cochran Jr., one of Mr. Simpson's lawyers, said outside the court that Mrs. Simpson contacted the shelter for advice about whether she should reconcile with Mr. Simpson, not for protection.

Josef Gingold, Violinist, Dies

New York Times Service

NEW YORK — Josef Gingold, a Russian-born violinist who played under Arturo Toscanini and George Szell and became one of the most influential American violin teachers, died Wednesday in Bloomington, Indiana. He was 85 years old.

He was hospitalized 10 days ago after an apparent heart attack, said Charles Webb, dean of the Indiana University School of Music, where Mr. Gingold was a distinguished professor emeritus.

Mr. Gingold was born in 1909 in Brest-Litovsk, then a Russian city. He gave his first public performance during World War I for an camp of occupying German soldiers, who paid him in food rations. After the war, he went to the United States with his family.

He was a member of the NBC Symphony Orchestra under Mr. Toscanini from 1937 to 1943, then was concertmaster of the Detroit Symphony until 1946, when he began 13 seasons as concertmaster of the Cleveland

Orchestra under Mr. Szell. Mr. Gingold taught at Case Western Reserve University in Cleveland. He began teaching full time when he left Cleveland to join the Indiana faculty.

Many of his students gained international reputations, among them Jaime Laredo, Joseph Silverstein, Ulf Hoelscher, and Joshua Bell. But he was noted less for the manufacture of virtuosos than for the broader values of musicianship he instilled in master classes and the close guidance he gave to chamber and orchestral musicians.

Guy Devaux, 68, a French winemaker hailed as a leader in bringing Champagne production techniques to the United States and who developed Mumm Cuvée Napa in California, died of cancer Wednesday in Fairport, New York.

Sylvia Bernstein Seaman, 94, a writer and one of the last active members of the suffragist movement, died Sunday at her home in New York City.

George McNeill, 86, an Abstract Expressionist painter who turned to vibrant colors and explosively painted figures in works that suggest the joyous anarchy of children's art, died Tuesday of congestive heart failure in New York City.

Ignacio Matte Blanco, 86, a Chilean-born psychoanalyst and author who helped refine Freudian theories, died Thursday in Rome.

Stockholm Ferry Aground

STOCKHOLM — A ferry carrying 2,500 passengers to Stockholm from Turku, Finland, went aground in the Stockholm archipelago early on Friday, its operator said.

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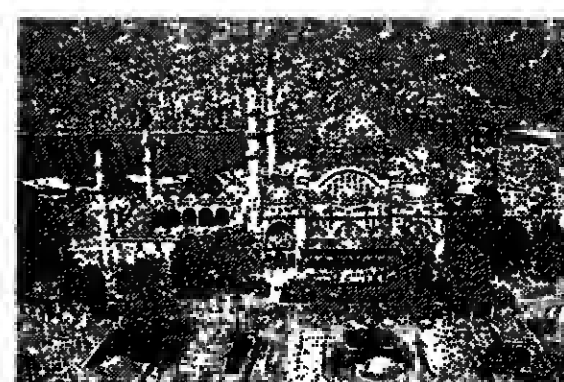
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Away From Politics

• Property damage from widespread flooding in California this week will exceed \$300 million, state officials said. (Reuters)

• A 22-year-old pizza worker admitted that he had known that a dog he was supposed to pick up at Kennedy International Airport was carrying cocaine into the country. John Erik Roa, of Paterson, New Jersey, pleaded guilty in a Brooklyn courtroom to conspiring to smuggle drugs into the United States with the help of the sheepdog. (NYT)

• A 14-year-old girl who joined President Bill Clinton last year in a televised appeal to end juvenile violence was assaulted at the school she attends in Washington. District of Columbia police said Alicia Brown and two other girls were attacked and beaten by four girls at Eliot Junior High. (AP)

• The New York City official who supervised the testing of the city's drinking water for the last decade said that senior environmental officials repeatedly skewed results of water quality tests in recent years by ordering workers to avoid taking samples from potentially contaminated sites. (NYT)

• The editor of a Los Angeles newsletter for Meana, the club made up of people who score high on their IQ test, was forced to resign after publishing articles that called for "humanely dispatching" people "who are so mentally defective that they cannot live in society." (AP)

• A former Catholic priest who admitted sexually abusing 28 children while serving in Massachusetts parishes has won a new trial on charges that he molested a teen-age baby sister in Minnesota. The state Supreme Court ruled that the prosecutor of James Porter acted inappropriately by making comments that seemed intended "to play on the jurors' emotions and fears." (AP)

• An unmarried man who paid a surrogate mother to bear his child has been arrested after admitting he beat and critically injured the 1-month-old boy, Philadelphia police said. (AP)

Clinton Call To End War Also Backs Yeltsin

By Douglas Jehl
New York Times Service

CLEVELAND — President Bill Clinton issued his strongest call for an end to the Russian military onslaught on Chechnya on Friday, but said also that it would be wrong for the United States to respond to the crisis by cutting back on aid to Moscow.

Mr. Clinton's remarks reflected mounting American concern at Russian military tactics in the breakaway republic.

Yet, Mr. Clinton repeated the U.S. view that Chechnya is properly a part of Russia. And despite its scolding of Moscow, his address to East European officials and businessmen at a trade conference here served primarily as an ardent defense of his administration's decision to maintain its embrace of the Russian government and its leaders.

"If the forces of reform are embattled, we must renew, not retreat from, our support for them," Mr. Clinton said. He vowed to lead "a bipartisan effort here at home and an international coalition abroad" to encourage Russia further along a path toward democracy and economic reform.

Senior administration officials said the president's strong appeal to Moscow to pursue a peaceful course reflected U.S. concern that backlash from the unpopular war could derail Russia from its reformist path. And they acknowledged that his advocacy of American engagement reflected apprehension that the outrage generated by the attacks could lead the new Republican-led Congress to force a scaling back of U.S. support for the Russian president, Boris N. Yeltsin.

Mr. Clinton did not mention Mr. Yeltsin by name in his address Friday. But the president's top aides insisted that the omission had not been intended as a slight, and said the United States remained behind the Russian leader.

"We continue to support Boris Yeltsin, full stop," a senior administration official said. But the official went on to amplify upon Mr. Clinton's criticism by saying that the brutal military tactics Russia had employed in its assault in Chechnya had been "misguided and led to too many casualties."

Until Friday, Mr. Clinton had said almost nothing in public about the Russian attack, choosing to allow the State Department to express U.S. alarm and reserving his own criticism for a letter he dispatched last week to Mr. Yeltsin.

But White House officials said he had concluded that the new determination being shown by Russian forces to impose a military solution on the crisis made it time to raise American pressure to the level of the presidential pulpit.

Mr. Clinton's address set the stage for a meeting in Geneva early next week between Secretary of State Warren M. Christopher and Foreign Minister Andrei V. Kozyrev, at which the war in Chechnya is expected to be a principal focus.



Lamberto Dini, left, named Friday to succeed Silvio Berlusconi, with Mr. Berlusconi while serving as treasury minister.

RUSSIA: Moscow Envoy Rules Out Negotiations With Chechen Leader

Continued from Page 1

General Boris Gromov, criticized the Russian Army's "barbaric tactics," Mr. Stepashin said he had come to Urus-Martan on Friday "in order not to repeat the meat-grinder tactics of Grozny," and said stiffly: "It was planned differently."

However, it was planned, the slow destruction of Grozny, a city of 400,000 five weeks ago, proceeded Friday with one of the fiercest artillery, rocket and mortar assaults on a city since World War II. There was shelling most of the night, and between 7 A.M. and 9 A.M. Friday, shells exploded every three

seconds. After a lull, the shelling resumed again.

Western reporters closer to the city center said intense fighting went on during the day between more experienced Russian troops and hundreds of Chechen militants, who understood that the battle for central Grozny was reaching its final phase.

Russian officers with Mr. Stepashin said that troops were trying to seal the palace off from the south, cutting access along Lenin Prospekt and a bridge over the Sunzha River in the city center. Mr. Stepashin said an escape route for civilians would be left open for now through southern Grozny, but that cars leaving the city would be checked by Chechen opposition forces.

[The lower house of the Russian Parliament called overwhelmingly on President Yeltsin on Friday to stop the war in Chechnya. Reuters reported from Moscow.]

[A no-binding State Duma resolution, passed by 236 deputies with just one dissenting voice, urged Mr. Yeltsin and his government to "take all measures to stop combat action in the Chechen Republic and create the conditions for a political settlement."]

IVAN: A Captive Audience Hears Russian Complaints

Continued from Page 1

four days," he said. "You will have simply disappeared, and nobody will know where you are." We tried to object.

"Shut up and listen to me!" he ordered. "I want you to see how soldiers really live."

With two colleagues and a driver, I had spent a couple of hours in Assinovskaya and found it as hostile as anywhere in Chechnya to the Russians. Last month, Russian soldiers on the same road where Ivan stopped us had shot and killed refugees fleeing the fighting and run over their vehicles with armored cars, according to survivors' accounts.

By the time we left Assinovskaya it was 5:30 P.M., well after dark.

A short way down the road, Ivan and his men stopped us. Our driver and I were ordered into a ditch. Ivan took our car and my two colleagues, both women, and drove off down the road. The driver and I were guarded by his men.

About 10 minutes later, Ivan returned to pick me up. By that time he had worked himself up, threatening to hold us and screaming whenever we tried to speak. He finally calmed down when we started taking notes and asking questions. It turned out that he just needed somebody to hear his complaints.

Some of them were deadly serious. A week and a half ago, six teenage recruits from his detachment were killed when their armored personnel carrier was blown up by a Chechen rocket-propelled grenade. The men, on their way back from fetching water, burned to death.

"I took those boys into my care," he said. "I took the oath and promised their mothers they'd be O.K. and that I'd bring them back home. How am I going to explain to them what happened to their sons?"

"This is a guerrilla war," he continued. "It's not a fair war. They shoot us in the back, even though we had an agreement with them that they would not fire at us when we were going for water."

"We are going to raze the village and make it pay for those six boys who were killed. I won't leave a single house standing. I'm going to burn everything."

After a while, Ivan mellowed. He loaded us into an armored personnel carrier and we hurried across the field, all lights out. We arrived at a stand of trees and scrambled down an embankment and through camouflage netting.

There, about a dozen teenage boys in uniform were gathered around a camp stove inside a

tent, squatting or lying on sheepskin rugs and piles of hay. The men appeared to have practically no contact with the outside world and virtually no idea what was happening, not to Moscow and not in Grozny.

Ivan estimated that in Assinovskaya alone there are some 1,000 Chechen fighters. "They shoot at us from the village, but we can't tell where it comes from," he said.

A while later, we again piled into the armored vehicle and raced along the tree line, this time stopping at a cramped command bunker where a handful of officers sat and drank vodka. They poured us some, produced a plate of pork fat and canned herring, fresh oranges and crackers.

At the mention of the name of General Pavel S. Grachev, President Boris N. Yeltsin's loyal defense minister, everyone in the room scowled. Asked about Mr. Yeltsin, the reaction was no better.

"Yeltsin has no authority in any sense," said Sergei, a 35-year-old lieutenant colonel. "He's not even a military man."

What about the constitution, under which Mr. Yeltsin is commander in chief? "This is the constitution," said Ivan, snapping a cracker in his fingers.

European Mission Set

Jane Perlez of The New York Times reported from Vienna:

A European envoy plans to visit Moscow on Sunday to arrange details of a fact-finding mission to Chechnya and to assess how far the Russians want to cooperate with the diplomatic initiative, officials of the Organization for Security and Co-operation in Europe said Friday.

The mission, which the European organization said the Russians had agreed to, was criticized by a Russian Foreign Ministry spokesman. He said observers would not be welcome until a "later phase" of Russia's operation.

But the 52-member organization, which includes Russia as well as the United States, will push ahead with its plans for the mission, officials in Vienna said. The Russian delegation did not object to the mission when it was approved by the organization at a council meeting Thursday, officials said.

Court Will Decide On Tapie Jan. 27

Reuters

PARIS — A Paris appeals court said on Friday that it would rule at the end of the month on whether Bernard Tapie was personally bankrupt and therefore ineligible to hold or stand for public office.

The ruling, which the court said would be issued on Jan. 27, will decide whether the flamboyant leftist politician and business tycoon can run this year for president or for mayor of Marseille.

A commercial court found Mr. Tapie bankrupt in mid-December. If upheld, the judgment would strip him of his seats in the French and European parliaments and bar him from seeking office for five years. Mr. Tapie and his wife are seeking to delay the effect of the commercial court finding.

ITALY: Banker's Turn

Continued from Page 1

Alliance, which has remained a loyal partner in the Berlusconi coalition, said the Dini government offered a way out of the stalemate, but would lack a mandate to govern for long.

"It is a reasonable solution, and it will certainly lighten the political climate," he said. "But it does not resolve the problem of the majority. The technical ministers will be but a parenthesis. Once their four-point program is enacted, they will have no further reason to exist."

Mr. Dini committed himself to an ambitious program of reform, including a review of Italy's bloated pension scheme and further budget cuts to tackle the country's fiscal deficit.

He also promised a new electoral law that would complete the changeover from a proportional representation system to one in which voters elect their representatives directly. And he said legislation was needed to "discipline" the distribution of telecommunications. This was an issue that Mr. Berlusconi, whose company, Fininvest, owns three national channels, had avoided during his turn in office.

The question now is whether Mr. Dini will have the support in Parliament he needs to push through the unfinished business of political reforms, and to weather protests against further cuts in social programs.

There was an immediate positive reaction to his appointment on financial and currency markets, as the value of the Italian lira stabilized after weeks of steady decline.

Part of this, according to financial analysts, was a result of Mr. Dini's reputation in financial circles. He served for more than 10 years as the director general of the Bank of Italy, and before that, as an executive of the International Monetary Fund. He also earned high praise in financial circles for his handling of the budget presented this year by the Berlusconi government.

But given the volatility of Italian politics, financial analysts were cautious in predicting his success at tackling Italian deficits, which are among the highest in Europe.

ASIA: Investors Mostly Want Out

Continued from Page 1

oo Friday in Hong Kong, Bangkok, Jakarta and Kuala Lumpur to bolster currencies sagging under a sustained flow of "sell" orders from abroad.

Every Asian stock exchange with the exception of those in India and Pakistan, fell, and currency weakness extended to New Zealand and Australia, which have recently been at record strength against the U.S. dollar.

London analysts said fund managers who cared to be discriminating would most likely flock, within Asia, to Malaysia, Singapore, South Korea and Taiwan. Markets, however, like those of Thailand, the Philippines and Hong Kong, look set for a long, hard slog.

Jim Walker, regional research director with Credit Lyonnais Securities (Asia), said that "by and large, most countries are in very good shape at present."

He added, "Eventually they will be seen to be relatively immune to the type of devaluation pressures just witnessed in Mexico."

But "eventually" was not soon enough in many markets on Friday.

Stocks suffered especially in Hong Kong on fears that China's senior leader, Deng Xiaoping, is close to death, and in Manila, where foreign-exchange trading was temporarily halted to allow a cooling-off period when the Philippine peso depreciated by 1.5 percent.

Hong Kong's Hang Seng index slumped 2.23 percent to 7252.54, a 5.6 percent drop since the beginning of the year. Manila's benchmark index lost 5.7 percent on Friday in heavy turnover.

For the second day in a row, the Hong Kong Monetary Authorities stepped in to buttress the Hong Kong dollar. The authorities edged overnight rates as high as 11 percent by withdrawing money from the banking system in a bid to give investors incentives to sell U.S. dollars and buy the local unit.

The Hong Kong dollar traded in a range between 7.758 and 7.746 to the U.S. dollar, strengthening from a low of about 7.740 on Thursday before the Hong Kong Monetary Authorities first intervened.

Traders reported equally decisive moves by the Bank of Indonesia to support the rupiah

DAUGHTER: After Malcolm X

Continued from Page 1

Associated Press reported from Minneapolis:

[The alleged hit man who worked with federal authorities to make the case against Ms. Shabazz was a childhood friend, said Scott Tilsen, her court-appointed lawyer. "This case is about him enticing, luring and seducing her into the plot," he said. "Her friendship and trust in him was used."]

[Ms. Shabazz was free on \$10,000 bond.]

If convicted, Ms. Shabazz, who moved to Minneapolis from New York City in September, could be sentenced to 90 years in prison and \$2.25 million in fines.

Mr. Farrakhan has long denied any role in his former mentor's slaying and has never been charged. But in recent years, he has often expressed regret at creating what he called a violent

"climate" around Malcolm X during the last year of his life, after his bitter break with the Nation of Islam and its founder, Elijah Muhammad.

The accusations against Ms. Shabazz stunned some who knew her. Percy Sutton, a former Manhattan borough president, who was a lawyer for Malcolm X and remains a family friend, said she was an "ideal young lady."

The second oldest of six girls, Ms. Shabazz was born on Dec. 25, 1960. Her father's rise and fall within the Nation of Islam laced her early childhood, culminating with the firebombing of her family's home in Queens on Feb. 13, 1965, and Malcolm X's murder a week later.

Two members of the Nation of Islam and a third man were convicted of the killing.

Ms. Shabazz and her five sisters grew up under the tutelage of their mother, who gave birth to twins after her husband's death, and while raising six children, earned her doctorate and became director of communications and public relations at Medgar Evers College in Brooklyn.

Her oldest daughter, Attallah, an actress and playwright, told USA Today in 1993 that her mother unsuccessfully tried to hide copies of Malcolm X's autobiography from her and her sisters to shield them from published pictures of their father's bloodied body.

The girls grew up in New York City, moving from Queens after the assassination to a house in a working-class neighborhood in Mount Vernon, New York.

Eventually, Ms. Shabazz moved to New York City. Unlike her sister Attallah, who claimed for her involvement in the arts and on the lecture circuit, or her younger sister Gamillah, who is a rising rap performer, Quibillah's life has received little media attention.

In the last four years, Malcolm X has re-emerged as an icon and hero. Spike Lee told his life story in the movie "X," leading to numerous documentaries. Rappers have quoted his speeches on records, and the letter "X" became ubiquitous on T-shirts and baseball caps throughout the country.

QUAKE: L.A. Is Target

Continued from Page 1

quakes. But, they wondered, in what manner?

Two scenarios were explored. In one, strain was released in numerous, moderate, Northridge-like earthquakes, Mr. Dolan said. But if that had actually happened, he said, Los Angeles should have experienced 13 to 17 moderate quakes over the last 200 years. But only two occurred, in 1971 and 1994.

"We may be in the early stages of a cluster of a large number of Northridge-type quakes or Northridge could be the end of this cluster and something bigger is in store," he said.

The second scenario was that the strain would be released in a less frequent but much larger, magnitude 7.5 earthquake in which several of the faults would break together, Mr. Dolan said. There is preliminary geological evidence suggesting that this happened in the Los Angeles area more than 1,000 years ago, he said.

In effect, the United Nations' plans have been upset. With a four-month cease-fire in place in Bosnia and broadly holding for now, it had foreseen a period of relative calm in which political negotiations could be pursued by the so-called contact group made up of officials from the United States, Russia, Britain, France and Germany.

But the fact is that, in Bosnia as in Croatia, international groups have still made no real progress in determining what to do about the Serbian minority. The Bosnian Serbs make up a third of the population of Bosnia and do not want to be part of that country. The Bosnian cease-fire, like the three-year-old Croatian truce, has not eased this basic problem.

Mr. Tudjman is aware of this. He knows that the contact group's plan — offering 51 percent of Bosnia to the Serbs and 49 percent to a Muslim-Croat federation — is unacceptable to the Serbs.

Rather than wait, he has reminded the world that the Serbs face a military threat from Croatia as well as the Bosnian Muslim. Implicit in his decision is the notion that, in the end, force may be the only means to resolve the conundrums of Yugoslavia's disintegration.

Mr. Tudjman's gambit — which he described as a means to accelerate a peaceful settlement rather than an option for war — is a big one. For the first time in at least a year, he has ignored American advice, shunning a letter from President Bill Clinton that urged him to refrain from ending the UN mandate.

To effect, at a time when slow-moving economic talks were gradually easing Serbian-Croatian tensions, he has tried to force the pace — and Mr. Milosevic is a man deeply attached to setting his own, generally laborious, momentum for peace negotiations.

The Krajina Serbs, who seemed increasingly interested in the economic talks that led to the recent opening of part of a major highway, reacted bluntly.

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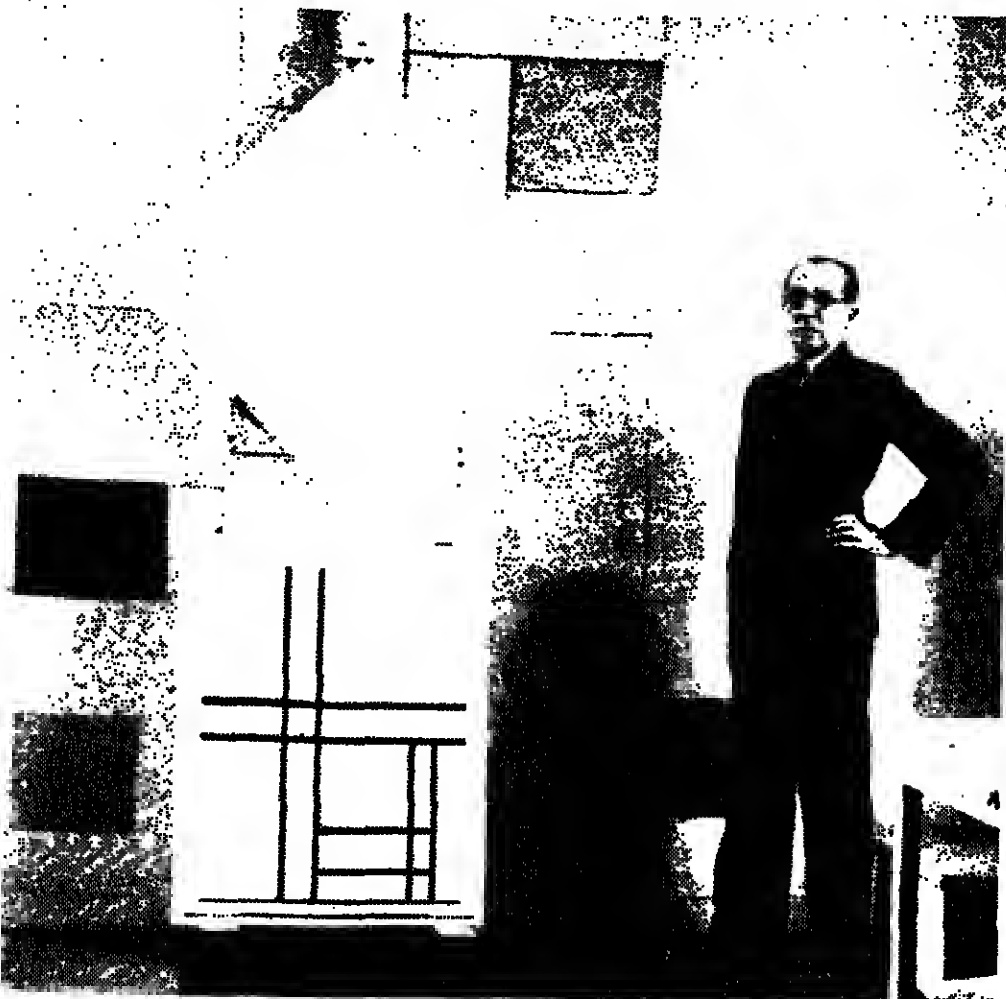
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Piet Mondrian in his Paris studio, 1933. The Dutch consider him one of their greats.

Misunderstood Mondrian

Dutch Exhibit Aims to Raise Painter's Status

By Alan Riding
New York Times Service

THE HAGUE — For all of Piet Mondrian's influence on postwar art, architecture, design and printing, the organizers of a major retrospective of his work here seem strangely defensive about this reclusive Dutch abstract painter and his place in the history of art.

The Dutch now consider Mondrian to be one of their greats. In the same league as, say, Rembrandt and van Gogh. Indeed, to mark the 50th anniversary of his death, the Netherlands declared 1994 to be Mondrian Year and organized a host of exhibitions, plays, concerts and television programs.

Yet his Dutch admirers remain frustrated that outside the Netherlands, Mondrian has still to be recognized as the equal of Picasso and Matisse among the icons of 20th-century art. The exhibition here at the Gemeentemuseum (through April 30) hopes to change this.

The foreword to the catalogue spells out the problem. "The influence of Piet Mondrian has been extraordinary," it notes. "It is therefore particularly surprising that his work remains so little examined and that his legacy as a painter is still so imperfectly understood."

Still, if megashows are one obvious way of reshaping public opinion, "Piet Mondrian: 1872-1944" may do the trick. With 122 paintings and 43 works on paper, it is the largest collection of his works ever, from early paintings of Dutch scenes through the famous highly geometric abstractions in primary colors that absorbed the final 25 years of his life.

It will travel to the National Gallery of Art in Washington and the Museum of Modern Art in New York, which joined the Gemeentemuseum in organizing the exhibition. It will be in Washington from June 11 to Sept. 4 and in New York from Oct. 1 to Jan. 23, 1996.

The Museum of Modern Art's version will be the most complete because two of Mondrian's most famous works, "Broadway Boogie Woogie" and "Victory Boogie Woogie," which were painted in New York shortly before his death and are still in New York, were considered too fragile to travel to The Hague and Washington.

Nonetheless, thanks to loans from 56 public and private collections in 10 countries, the exhibition here has brought together about half of the works painted by Mondrian in the 1930s and '40s, first in Paris, then in London from 1938 and finally in New York from 1940 until his death four years later.

As a form of preface, though, the exhibition also shows how he arrived at the geometric forms he called neo-plasticism. It does so by tracing his long journey through Impressionism, Post-Impressionism, Fauvism and Cubism until he broke out on his own around 1919 when he was already 47.

The earliest paintings, dating from 1898, are figurative and display a special fascination with trees, a subject he would continually return to over the next 20 years. He also began spending summers with other artists at Domburg in Zeeland and in a series of paintings of beaches, dunes and ocean, notably "Summer, Dune in Zeeland" (1910), his colors and shapes began moving toward the abstract.

Then when he moved to Paris in 1911, he was exposed to Picasso and Braque and embraced Cubism. Trees and the sea were still his subjects, but they were increasingly difficult to recognize. He did not win fame as a Cubist, but he remained faithful to the movement after he left Paris to spend World War I in the Netherlands.

Mondrian's interest in the abstract was particularly influenced by his discovery of theosophy, a mystical philosophy that emphasizes the spiritual nature of the universe. In his art, this meant an endless search for a "pure" or "universal" form of expression, bereft of any reference to the mundane.

By 1917, compositions of color planes were moving him in this direction. He experimented with diamond-shaped canvases, which altered the effect of his horizontal and vertical lines. And in 1919, after returning to Paris, he took another step toward his goal of what he considered pure forms with "Checkerboard With Dark Colors."

The following year, the breakthrough came. "Composition with Black, Red, Gray, Yellow and Blue," which is on display here, was his first truly neo-plastic painting and the first of what today would be immediately recognized as a classic Mondrian. For the next 30 years, primary colors (red, yellow and blue) and noncolors (white, black and gray) locked inside black lines became his world.

BOOKS

JEAN MONNET: The First Statesman of Interdependence

By François Duchêne. 478 pages.
\$30. Norton.

Reviewed by
Walter Russell Mead

JEAN MONNET, the brilliant Frenchman widely considered the "Father of the European Union," is arguably the greatest European statesman of modern times. Monnet succeeded in uniting Western Europe's divided nations and, apparently, ending five centuries of war between them once and for all.

Unfortunately this does not make Monnet a good subject for biography. Monnet's revolution took place at intergovernmental conferences rather than on battlefields. With a private life almost entirely free from incident and utterly devoid of scandal, and a public career dedicated chiefly to bureaucratic politics conducted behind closed doors, Monnet presents a formidable challenge to biographers.

Although François Duchêne's new biography does not quite overcome these obstacles, this gifted writer and sagacious observer of European politics has come close.

The obstacles to biography appear early. After an entirely normal and happy upbringing in the serenity of provincial France, Monnet characteristically answered his country's call

in World War I by pushing paper rather than shooting bullets. Monnet's accomplishments in coordinating allied economic strategy with Britain and the United States played a greater role in the Allied victory than any glorious military exploits — but they don't add much to the dramatic interest of his life.

Monnet's war service set the pattern of his public career. He was the quintessential international bureaucrat, never seeking or winning elective office, but exercising more influence than many who did. As a ranking bureaucrat with the League of Nations, he was associated with some of that organization's now-forgotten successes and returned to private business before the League began its long decline. He resumed his bureaucratic service in the Second World War. John Maynard Keynes credited Monnet's economic and planning work with shortening the war by a full year.

In the years following the World War II, Monnet was the leading force behind two of the three leading initiatives that resulted in what is now the European Union. The European Coal and Steel Community was the organization that gave Germany and France a practical demonstration that European institutions could serve both countries better than continued rivalry. Euratom, Monnet's other major initiative, was less conspicuously successful, and Monnet played only a marginal

role in the development of the Common Market, but no reader of this book can escape the conclusion that Monnet is the father of contemporary Europe. Duchêne, a British journalist who understands both the language and the mentality of Britain's closest Continental neighbors, is well positioned to comment on Monnet's work and on the international dynamics of the European Union. In the final three chapters of this book, Duchêne transcends the limits of his subject to write some of the most perceptive and engaging prose about post-war European politics and diplomacy ever written. Based on the evidence of these chapters, and on the flashes of insight that occasionally illuminate even the dullest descriptions of the bureaucratic wars over the direction of the European nuclear power program, Duchêne could write the definitive history of Europe from 1945 to 1990.

Walter Russell Mead, a Presidential Fellow of the World Policy Center at the New School, wrote this for The Washington Post.

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The Loser? Auction House Estimates

LONDON — It all looked like the end of an era, with dealers finally succumbing to the victorious onslaught of the auction houses. Sotheby's, it was announced with great fanfare, was to sell the Cyril Humphris Collection on Jan. 10 and 11, in New York. Humphris, the London dealer, was retiring. There were 331 lots, Renaissance, Limoges enamels, 18th-century sculpture, and more.

The two-part catalogue (Part I, with a hard cover, for "serious

SOURN MELIKIAN

buyers," as dealers like to call the well-heeled; Part II for the common run of mortals), the traveling shows from London to Los Angeles, the press releases had all the marks of a modern-age auction blitzkrieg waged on the starry-eyed newcomers to art buying, hat in hand, checkbook at the ready.

If newcomers turned up, they were not starry-eyed. Within the first hour, the five star lots if measured on the scale of estimates, were given thumbs down. Adding insult to injury, those attending proved that money was available. Early in the sale, the London dealer Rainer Zietz paid \$255,500 for the rare alabaster "Pietà" done somewhere in Northern Europe in the 1430s. Much later, the silver and bronze bust of Charles II of England now considered to be the work of Francesco Fanelli matched the middle estimate at \$442,500. By the end of the second day, the sale had netted about \$6 million for the vendor, a hefty amount in the field of objets d'art.

But it left 59 lots stranded. The much-trumpeted slogan "the top sells" had, it seemed, been proved wrong. Given the quality of the sale and the upbeat mood of the market in the last few months, this seemed incomprehensible. Could something have gone amiss in the Sotheby's strategy?

Two blunders seem to have caused most of the harm. One was the excessive emphasis on the "collection" theme. Humphris is a dealer with a sharp eye and a fascinating story. Born in 1932 at Bromley near London, his early years were in this Kent village, where he and his brothers lived close to nature. They had a passion for birds, which they watched for hours and would bring home those fallen out of the nest to rear them. This was Humphris's first training in giving attention to a world where looking intensely and being receptive is the answer, rather than doing it by the book.



Grisaille enamel and gilt copper casket, by Pierre Reymond, 1547.

An adventurous teenager with a zest for life, he left school at 15, joined the army at 17 for a two-year stint and by 1954 was doing his classes in art and antiques under Alfred Sperer, the famed London dealer. There he discovered the vast and largely uncharted artistic lands broadly categorized as "Medieval" and "Renaissance." After five years, he was out on his own. A brief association with David Peel widened his horizons to 18th-century sculpture.

IFIRST met Humphris in Paris in 1961, when the young dealer, carefully cultivating the persona of a dapper Briton, fastidiously dressed and exquisitely courteous, did his rounds of galleries, on and off Boulevard Saint-Germain, laying hands on their finest bronzes. He had just bought a kneeling satyr that, in those days, passed for the quintessential Riccio. Now, Humphris says, it would be seen as the work of a follower of the 15th-century bronze maker. This sums up the perpetually

changing perspective in this field, where certainty regarding authorship is rarely attained and, often, barely relevant.

Bronzes must first and foremost be judged on intrinsic merit. That is indeed true of many forms of sculpture. "When you buy [three-dimensional] works of art you have to be courageous," Humphris wryly remarks. Fields such as these are reserved for small numbers. They require the single-minded passion that drives collectors, and the capacity for intense, yet patient, attention. The cast of mind that this stubborn pursuit involves is least amenable to hype. It is also one that inclines to question flat statements.

The suggestion that the objects in which an art dealer is professionally involved should be seen as a "collection" was greeted with sneers in some quarters. It looked too much like selling stock, a suspicion that is generally counterproductive.

The supreme irony is that Humphris really wanted to close a chapter in order to turn to his other great loves in life: theater

and cinema. But no one seems to have had an inkling. Sotheby's included. How many in the art world would have heard that Humphris, collaborating with Luc Béraud, worked on the French stage adaptation of Sam Shepard's "True West"?

The play was a hit at the Théâtre de l'Athénée in 1985. In the last few weeks, Humphris finished a script based on "Ham on Rye" by the late Los Angeles writer Charles Bukowski. Now, he is casting it and closing the contract — it is to be produced by Amblin Entertainment, a branch of Chesterfield Films. Had this been widely known, it might have made quite a difference.

Instead, the image of the dealer's stock coming up for sale was compounded by Sotheby's second mistake, the estimates, often unrealistically huge, rather like those of a speculator intending to pull off a coup. Asked about his role, Humphris says he had none, he it in the cataloguing (he made his documentation available, no more) or in the estimates.

In the event, the sale actually

did well, contrary to appearances. Some of the most wonderful objects overcame any prevention. The Limoges painted enamels went through the roof, probably boosted by the sale of the Givenchy collection by Kugel at the Paris Biennale in November. One of the finest French Renaissance portraits in a miniature scale that I know of climbed to \$140,000, much more than the estimate, which for once was absurdly low. An extraordinary casket signed with initials by Pierre Reymond and dated 1547, which greatly adds to its art-historical importance, brought \$255,500, twice the high estimate, but here again, no surprise. It belonged to three succeeding Rothschild generations, featured in exhibitions and received three pages in Philippe Verdier's reference book, "Painted Enamels of the Renaissance" published in Baltimore in 1967.

DEALERS belied the premature suggestions of their final demise. In addition to the \$255,500 North European "Pietà," Zietz bought the pair of curious gilded bronze ewers of the 16th century in the form of horned monsters for \$200,500 — more than a quarter under the low estimate. Daniel Katz of London bought, his colleagues say, a rare bronze "marriage bowl" commemorating the union of Silvia Visconti and Gianbatista Annoni in 1580 for \$101,500, more than one third below the low estimate.

Some collectors were active in the middle range. Word is out on the art street that it was Alexis Gregory, the renowned New York collector, who acquired the \$63,000 standing figure of a Roman emperor, catalogued as the work of the early 17th-century artist Niccolò Roccatagliata.

Humphris, who sounded a bit disconcerted in the heat of the action, came out a fantastic winner. In addition to his \$6 million, he still owns the five stars. That is not bad.

The only loser is the credibility of auction house expertise. The number of lots sold far below the estimate makes a joke of presale pronouncements. Too many of these looked implausible in the first place. The Florentine horse "attributed to Antonio Susini," a mere 4 1/2 inches high, was knocked down at \$40,000 (\$46,000 with premium), a generous price. Yet the estimate read \$60,000 to \$90,000. So what was, in reality, a commercial success for Sotheby's came to look like a semi-failure. More seriously, it is a policy that could destabilize the market as it did once before. Remember the 1990 collapse?

Met Preempts Sale of an Old Master in New York

By Carol Vogel
New York Times Service

NEW YORK — The Metropolitan Museum of Art stepped in to buy Lo Scheggia's "Triumph of Fame," among 183 Old Master paintings sold by the New York Historical Society, which is raising money to keep operating.

The painting attracted a bid of \$2.2 million from a London dealer Thursday at a sale at Sotheby's. But the Met, exercising an option that gave right of first refusal to New York institutions, agreed to match the offer, thereby keeping a work that it had exhibited on loan from the society since 1979.

Bidding for the Old Master paintings

was lively and by day's end had brought \$12.2 million to the society's coffers. (Sotheby's estimate for the works was \$9.7 million to \$13.5 million. Final prices include the auction house's commission.)

So far, the Metropolitan is the only museum to have preempted an artwork in the Sotheby's sale, but under the

agreement, New York institutions have seven days to come forward.

Everett Fahy, chairman of European paintings at the Met, said that the museum did not yet have the full \$2.2 million for the Lo Scheggia work, a circular painting that was the birth plate of Lorenzo de' Medici.

"By next week we hope to make up the difference," he said.

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INTERNATIONAL Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The Importance of Africa

In making the case for his own sweeping approach to foreign aid, the chairman of the Senate foreign operations subcommittee, Mitch McConnell of Kentucky, dismisses Africa as unimportant to the security interests of the United States. Under the Republican senator's restructuring proposals, money for Africa would be slashed deeply while funds for the Middle East and Europe, which he regards as strategically more critical, would get a boost.

As one of the Republican majority's more internationally minded members, and with his perch on the Appropriations Committee, Senator McConnell carries weight. Congress, however, should be slow to rubber-stamp the senator's views on Africa. American security and economic interests cannot be so easily divorced from the state of affairs in Africa.

How the United States regards Africa depends on how U.S. strategic interests are defined in a post-Cold War world. To concentrate American attention on former decades-old rivalries or familiar traditional relationships too narrowly defines the country's international interests. Viewing Africa of today through the old prism of the Cold War does just that.

On the contrary, as President Bill Clinton said in an address last year at a White

House conference, "Africa matters to the United States." It is not only because a superpower like America with a democratic history has a responsibility to be concerned about the battles between despotism and freedom taking place on the continent. A growing, politically open and prosperous Africa promotes U.S. long-term economic and political interests. Without the Cold War, as Mr. Clinton has said, Americans have the freedom and duty to see the diverse nations of Africa in that new light.

There are other reasons why Americans cannot just walk away, as some in Congress would like. Problems like the unchecked scourge of drugs and AIDS, exploding populations, declining economic opportunity, rampant tyranny, and ethnic conflicts that spill over borders are not only Africa's concerns; they all have consequences that contain potential threats far beyond the African continent. It is in America's own interests to help solve those problems. The absence of a Communist threat is no insulation from what ails Africa. "Africa illustrates a central security challenge of the post-Cold War era," said President Clinton. That is an important assertion that Congress cannot easily brush off.

—THE WASHINGTON POST.

The Arts Are Under Attack

The National Endowment for the Arts, now in its 30th year, has been a brilliant though sometimes controversial success. At a modest cost to American taxpayers, \$167 million this year, it has helped channel private donations to an impressive variety of nonprofit arts institutions across the United States. Institutions report that each dollar granted by the Endowment generates an average of \$11 in matching private funds. As a result, many more Americans have been able to experience original art firsthand, and talented artists have been encouraged to pursue their work.

This is just what the Endowment was created to do. But now, for a variety of reasons, some conservative Republicans want to use their new congressional majorities to cut off funds for the Endowment and shut it down. They should not be allowed to succeed.

The Endowment has some devoted conservative Republican defenders, for example Senators Orrin Hatch and Alan Simpson. But other conservatives remain ideologically opposed to public subsidies for the arts.

Yet subsidies by governments and wealthy patrons are an ancient and necessary tradition. Even artists whose greatness has been acknowledged by posterity have had to struggle to support themselves during their lifetimes, particularly if their originality consisted in challenging received tastes.

Enlightened societies all over the world recognize that there is a clear public interest in supporting such talents and to sustaining the traditions represented by art museums, libraries, symphonies and dance, opera and theatrical companies and making them available to wider audiences.

This is a wise and historically validated role for governments. The real risk of government subsidies lies not in overgenerous use of the taxpayers' money but in the potential for political interference or censorship. The Endowment's designers wisely guarded against this

danger by leaving initial grant-making decisions to panels of people knowledgeable about the arts. The awards are then subject to two higher levels of expert review. Most grants are awarded not to individual artists or productions but to institutions with a good track record. But a good track record in the arts includes a willingness to take the occasional risks on a promising new or controversial talent.

It is these risks that have gotten the Endowment in trouble with demagogic politicians like Jesse Helms who will seize on provocative aspects of particular exhibits or performances put on by institutions receiving some Endowment support to caricature the whole of the Endowment's work. The most recent controversy, for example, centered on a bloody paper towel flung by a performance artist, Ron Athey, at the Walker Arts Center, in Minneapolis. The Endowment had awarded some \$100,000 to the Walker to help support its entire season. The Walker in turn awarded about \$150 of this money to Mr. Athey.

Not all great art is controversial and not all controversial art is great. But themes like eroticism, homosexuality, and the provocative use of religious imagery that so upset the Endowment's critics have been entwined with great art for centuries. In recent years, the Endowment has tried to play it safe on these issues to appease its congressional critics. But excessive caution shortchanges an important part of the Endowment's mission.

The zealous and small-minded are always willing to attack art and artists. But there is no reason to elevate their attacks to general government policy. To do so would be a distortion of the mandate of the November election. To be blunt about it, prominent Republicans with ties to cultural institutions have an obligation to see that their more rancorous members of Congress do not destroy the National Endowment for the Arts.

—THE NEW YORK TIMES.

Gingrich's History Lesson

Newt Gingrich acted quickly in handling the fiasco that resulted when his pick for historian of the U.S. House of Representatives, Christina Jeffrey, turned out to have complained in inflammatory language about a junior high school course on the Holocaust in 1986. But the matter of the House historian's post and how, or whether, it will now be filled still presents a few questions.

The position to which Ms. Jeffrey was briefly appointed is sharply different in concept from the previous job of the same name. Mr. Gingrich, explains his spokesman, Tony Blankley, had picked Ms. Jeffrey not because of her credentials as a historian (she is a political scientist) but because she had taught a course with him and he was impressed with her enthusiasm and ability to interest a popular audience in American government. "He wanted," Mr. Blankley says, "a gifted instructor to get out and be available on C-SPAN and places like that, someone to teach the history of this institution and what it means to every American."

The previous House history office had limited archival and administrative duties, such as advising representatives about the proper disposition of their pa-

pers. The speaker "knew that some archival function needed to be maintained," Mr. Blankley says, "but his notion of a House historian was someone who would get out and be enthusiastic and teach Americans about the system."

"That's why he didn't get an academic from Harvard or Yale to come sit in the bowels of the archives."

This is a provocative idea, congruent with Mr. Gingrich's stated views on making government more open and accessible, if not with his emphasis on cutting unnecessary functions of government. On the latter point, recall that the first explanation proffered for the elimination of the House historian and his staff was a job for austerity. Now it appears that the jobs in question were not zeroed out but transferred to the authority of the clerk of the House, there to be given an amorphous public education or public relations function. Even before Ms. Jeffrey's comments on the Holocaust became the issue, her comments about chronicling the daily exploits of the speaker had raised questions about what that function would look like. We can't help suspecting Mr. Gingrich got it right the first time.

—THE WASHINGTON POST.

A Desperate Yeltsin Moves Nearer the Edge

By Peter Reddaway

WASHINGTON — Boris Yeltsin's critics in Moscow are right. Although the war in Chechnya appears to be moving toward a Russian "victory," the extraordinary folly of the invasion will have two effects: It will destroy what is left of democracy — indeed, this may have been the main purpose of the invasion for Mr. Yeltsin and his increasingly desperate inner circle, and almost certainly it will produce an unstable authoritarianism that sooner or later will swallow him.

Why did Mr. Yeltsin override the barrage of expert advice that warned him for months that an attempt to crush the secessionist Chechens would incur punitive costs? Why did he invade in December, when bad weather was bound to hamper his military forces?

Answers must start from the fact that the political system is so weak that he could simply ignore public opinion, even on such a fateful issue. The bonds holding the state, political system and society together have slackened — a result of trying to carry out simultaneous political and economic revolutions in a society unready for them.

Economic reform has been too ambitious and doctrinaire. This has caused the old state-run economy to be replaced not by a true market economy but by an unstable semi-market system preyed on by a growing army of mafiosi and bribe-taking officials. Fortunately, the International Monetary Fund that really in November, when it hinted that the West's three-year struggle to stabilize Russia's economy.

Reformers' bold efforts to replace dictatorship with democracy have not worked. The outcome is a growing belief that the word "democracy" covers the criminalization of the political and economic systems.

Representative bodies that replaced some of those abolished by Mr. Yeltsin are ineffective. In October, Parliament voted no confidence in the government, but it has such limited powers under the new constitution that Mr. Yeltsin paid little attention.

Thus the executive has faced no serious checks. It has grown to three or four times its size under the Communists and has tightened its links with organized crime.

Mr. Yeltsin's resolve, announced with fanfare in February, to "strengthen the Russian state," as well as his law-and-order campaign in June and various decrees aimed at regaining Moscow's lost control over the federation's 89 units, have largely failed.

The government has become hopelessly divided by personal rivalries, by uncontrolled fighting among cabinet members, and by Mr. Yeltsin's taking real power into a small circle of cronies.

In 1994, almost every part of the political spectrum concluded that the status quo was at best unsatisfactory and at worst threatened the country's future.

The large centers of power that control resources — the energy and banking sectors, the military-industrial complex, the agricultural lobby — increasingly came to see Mr. Yeltsin's circle as unpredictable and too incompetent even to stabilize the situation.

Mr. Yeltsin has refused to share real power with these centers and to call the early presidential election that such groups as the Communists have sought — and that he was sure to lose, at least from October on.

Circumstantial evidence indicates that this fall a group of critics decided the only course was to persuade Mr. Yeltsin to resign or to call early elections by deliberately, if not openly, destabilizing him.

The media said the lead role in this enterprise was taken by the Most group of companies, which consists of a bank and media outlets. Articles described the anti-Yeltsin group as Moscow financiers and politicians, and asserted that members included Vladimir Gusinsky, head of the Most Bank; the Moscow mayor, Yuri Luzhkov; the economist Grigori Yavlinsky, and General Boris Gromov, a deputy defense minister.

The group apparently concluded that if Mr. Yeltsin's domestic support could be reduced to almost zero, and if his credibility in the West and in the IMF could be compromised, he might eventually feel obliged to go.

During the fall, the Most media pounded Mr. Yeltsin. They and his other foes lambast-

ed him for drunkenness, dictatorial tendencies and shameful behavior on trips to Berlin and Ireland. They savaged his ministers by trying to implicate them in the murder of a journalist investigating corruption and the crash of the ruble in October. And they attacked the ministers of defense and security for trying, unwisely and incompetently, to overthrow Chechnya's government by arming an opposition that lacked popular support.

In response to this onslaught, Mr. Yeltsin's inner circle appears to have drafted a radical strategy: First, strike hard against its tormentors; second, invade Chechnya and score an impressive victory; third, use the inevitably noisy opposition to the invasion as a pretext for introducing authoritarian rule.

Variations of this interpretation of events have been advanced by the former Prime Minister Yegor Gaidar and others.

Evidence, including the National Security Council's discussion of depriving Most of its TV channel, has led several analysts to believe that the formula for authoritarian rule might be: Curb the media by censorship, limit political freedoms, suspend Parliament, and, since further IMF aid is already moot, explain your actions by blaming the West.

In this way, Mr. Yeltsin and his group might remain in power.

The group's strategy evidently took effect Dec. 2, when Mr. Yeltsin's personal security troops confiscated documents from the Most Bank. They claimed to be investigating corruption in Moscow's city government.

On Dec. 11, Mr. Yeltsin signed off on the invasion of Chechnya. In doing so, he went against the public warnings of the best political experts and reports of his own defense and security agencies.

In the future, almost anything could happen. Mr. Yeltsin could take authoritarian steps. There might be a coup, followed by authoritarianism under someone else. Or there might be a deepening of the present semi-authoritarian confusion.

It is entirely imaginable that Lieutenant General Alexander Lebed, whose warnings against the Chechen adventure were among the strongest, might play a key role in threatening the Yeltsin clique's bold on power.

The writer, professor of political science at George Washington University, is former director of the Kennan Institute for Advanced Russian Studies, in Washington. He contributed this comment to *The New York Times*.

Contain Iran And Avert Disaster

By A. M. Rosenthal

NEW YORK — Here we go again. One more time the merchandisers of death, from China to Russia to Western Europe, are ready and lobbying hard to build up the blackmail power and military potential of a violent, marauding dictatorship.

Now it is nothing less they are peddling than nuclear military potential. The country is Iran, the most virulently anti-Western, anti-democratic nation in the world, terrorism's headquarters.

If Americans and their elected leaders do not stand firm, Western capital, Western technology and the inexhaustible stock of Western self-destructiveness will combine to speed Iran on the road to nuclear military power.

Iran is pushing for delivery of "peaceful use" nuclear reactors purchased from China, Russia and Germany, among others. So far, the United States has been able to block it. But Iran and its suppliers, including some U.S. allies, are getting ready for a big drive this spring when the Nuclear Nonproliferation Treaty is reviewed.

These reactors can be made to deliver plutonium, essential to the production of nuclear bombs.

The "peaceful" production and stockpiling of plutonium is one of the world's sleeping disasters. This is from a paper by Paul Leventhal, director of the Nuclear Control Institute in Washington, and Daniel Horner, deputy director.

"The greatest long-term threat to the treaty and the world may yet lie in the production and use of nuclear explosive materials in civilian commerce. If, under the auspices of the treaty, civilian plutonium programs proceed as planned around the world, more than 500 metric tons of plutonium will be separated from the spent fuel of nuclear power reactors by the year 2010, of which at least 300 tons will be stockpiled as surplus."

They say that is 100 tons more than in the combined nuclear arsenals of the United States and Russia. The treaty does nothing to contain that commerce, and nuclear powers do a lot to promote it. They have a vested interest in keeping commercial plutonium programs going.

So the disaster keeps sleeping, until an Iran, or a North Korea, decides it is wake-up time.

Under the treaty, Article 4, all signatories are entitled to the peaceful use of atomic energy. But there is a big fat problem with this. If a country decides to divert some of its "civilian" plutonium to military use, the international inspection system cannot find out before it is converted into bombs. Lovely.

What to do? The simplest way: Tell Iranians they do not qualify under Article 4 because of treaty provisions against military use that we do not trust them to observe. That is the plain truth.

But how about giving Iran reactors and getting its word not to extract plutonium? The suggestion has been made. Next.

A world ban on civilian production of plutonium might help. But in the end it will take the common sense and economic power of the United States, plus real bipartisanship between Congress and the White House, to contain Iran's nuclear drive.

Iran is already on the road to the bomb. Some U.S. and Israeli officials believe the Iranian bomb is just five years away. Others say it will take longer.

Given the record of accuracy of Western (and Israeli) foresight about Iran, which runs from fair arrow-straight to miserable, it is safer to take the shorter estimate.

But even supposing the Iranian bomb is a decade away, is there any conceivable reason to bring the day closer except the pleasure of cutting our own throats?

Yes, two. The profits of the death trade. And the recurrent sentimental self-delusion that afflicts Western politicians and intellectuals about Middle East dictators, from Nasser the Gallant to Saddam the Moderate, Hussein the Plucky, Assad the Honest.

Now, heaven help us, it leads them to put the makings of a nuclear weapon in the hands of the motherland of hate and terrorism.

The New York Times.

Remaking NATO: A Useful Pause for a Do-or-Die Study

By Max Jakobson

HELSINKI — NATO's decision to devote a year to a study of an enlargement of its membership reminds me of the old story about the Jewish scholar who worked for a cruel and capricious despot.

One day he was told by his master: You must teach my dog to read. You have one year to do it, or else.

The desperate man went to a rabbi for advice. After some thought the rabbi said: A year is a long time. Many changes could happen. Your master might die. Or his dog might die.

But what if nothing like that happens? the man asked. In that case, the rabbi said, you must teach the dog to read.

Many things may indeed change in the next 12 months — in Russia, for instance. But it is likely that in the end NATO will still have to face the dilemma it has created for itself by pursuing simultaneously two incompatible policies: treating Russia as a trusted partner and promising to protect Central European countries from Russian aggression.

A way out has been suggested by Zbigniew Brzezinski in an article in the current issue of *Foreign Affairs*. He proposes that an expansion of NATO, to include the Czech Republic, Hungary and Poland, should be coupled with a commitment not to deploy NATO troops on the territory of the new member states. He be-

lieves this should allay some of Russia's legitimate concerns. There is a precedent for such a "nonprovocative" membership. Norway and Denmark have not allowed the stationing of foreign troops or nuclear weapons on their territories. But in their case, the restriction is self-imposed and can be lifted at any moment by the governments themselves. The Brzezinski proposal, on the other hand, would in effect create a new category of membership for Central European countries.

This is not likely to change the Russian attitude. The crux of the matter is the effect of a NATO expansion on Russian internal politics. Significantly, it is the "Westernizers" who strenuously oppose a NATO expansion. They fear it would provide neoinperialist forces with fresh arguments to demand a remilitarization of Russian policy.

In any case, the Brzezinski proposal fails to address the fears that a NATO enlargement would raise in the countries that would be left out in the cold. The admission of three countries, with or without restrictions, is bound to raise the specter of a new deal between the great powers that would divide Europe into spheres of influence. It would be tantamount to telling the Russians: These are ours, the rest is yours. The Baltic countries

have been brought into a continuous process of political and economic integration into the union. The mutual dependence and solidarity that grows out of such a process amounts to an implicit security guarantee.

The case of Finland, a country with a 1,200-kilometer (750-mile) border with Russia, is illuminating. Membership in the European Union, which took force this Jan. 1, has had a reassuring effect on opinion. While it does not exclude any option, the Finnish government is under no pressure to seek NATO membership.

The Russian government welcomed Finland's entry into the EU. Had Finland joined NATO, the Russian reaction would have been different.

There is an element of institutional rivalry in the difference between NATO and EU policies. NATO is believed to need an expansion for its own sake. As the U.S. secretary of state, Warren Christopher, has put it, the alliance must be "made relevant" to the post-Cold War situation. The argument is that unless NATO plays the lead role in stabilizing Central and Eastern Europe, the United States might lose interest in maintaining the alliance.

On a deeper level, the issue is, again, the future of Russia. If one believes that democratic reform is now a lost cause and that Russia is back on an imperialist track, then it makes sense to insist that in an eyeball-to-eyeball confrontation, NATO must not be the first to blink; Moscow must not be given the right to veto a NATO expansion. The war in Chechnya can be cited as evidence in support of taking a tough line. But the poor performance of the Russian Army and the strong criticism the use of force has evoked have also revealed that much has changed in Russia. The internal political consequences of Chechnya cannot yet be foreseen.

NATO's year of study may be a useful pause after all.

Mr. Jakobson, a former Finnish ambassador to the United Nations, writes on international affairs. He contributed this comment to the *International Herald Tribune*.

An Antidote to This Pervasive Apathy

By David S. Broder

WASHINGTON — The visit to Woodson High School here was a needed antidote to the depression I was in after reading the worst news to come across my desk this year.

It was an annual survey of college freshmen. The survey, conducted by the American Council on Education and UCLA's Higher Education Research Institute, found 330,000 freshmen less interested and less involved in politics than any freshman class in the 29 years such polls have been taken.

Fewer than one-third of them said that "keeping up with political affairs" is an important goal for them. In 1966, almost two-thirds said it was important. Similar trends can be found in the number who say they have any desire to participate in community programs or efforts to improve the environment or race relations.

The results were foreshadowed by another survey, six years ago. That study, sponsored by People for the American Way, a liberal advocacy group, found that only one in eight young Americans said that part of being a good citizen was voting or participating in politics.

The co-chairs of the project that commissioned the survey — Terrell Bell, education secretary under Ronald Reagan, and an Arkansas lawyer named Hillary Rodham Clinton — wrote at the time: "Young people have learned only half of America's story. Although they clearly appreciate the democratic freedoms, they fail to perceive a

discussion: What is the difference between a kid and a grown-up? Is it just a matter of age? Or is it a matter of taking responsibility? Is voting a part of civic responsibility? Is it empowering, or empty ritual?"

The students quickly showed that these were not academic questions to them. A young woman named Casey said she "felt left out" last fall, when many of her neighbors, who were old enough to vote, were swept up in the energy of Marion Barry's comeback bid for mayor of Washington. A classmate said that contest was the exception — in national elections, the choice is simply "which white man you want running things."

Ms. Ray, who had given the class the Republican Contract With America to read, asked how the Republicans had done so well across the country. A young man named Carlos replied, "A lot of people didn't vote, and now those people say, 'Why are they doing this stuff?'" "So the people who voted gained the power to decide for everybody?" Ms. Ray asked. "They sure did."

The discussion swung to Martin Luther King and to South Africa, and then back to the challenges facing the District of Columbia. At the end of class, Ms. Ray asked how many wanted to register. Every hand went up, and the applications were filled out right there.

"This is a milestone in your life," Ms. Ray said — and that's exactly how it felt.

The Washington Post.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1895: A Magnet's Power

NEW YORK — Lieut.-Colonel R.W. King, the commandant of the Government station at Willett's Point, has been experimenting with an old Roman cannon, a discarded cable and two dynamos. With these materials he has constructed the world's largest electromagnetic. Iron platform plates were placed under the barrel of the gun, around which was wound fourteen miles of old torpedo cable. The electricity is furnished by the two heavy dynamos placed 200 ft. away. The last test of this magnet showed that it would resist a strain of 44,800 pounds.

1920: Japan in Charge

WASHINGTON — Secretary of State Lansing has notified the Japanese Government that within a few weeks all American troops will be withdrawn from

Siberia. European troops will be taken out of Siberia during February, and in early March the U.S. regiments will sail for home. This will leave Japan in control of stemming the tide of bolshevism sweeping eastward across Siberia.

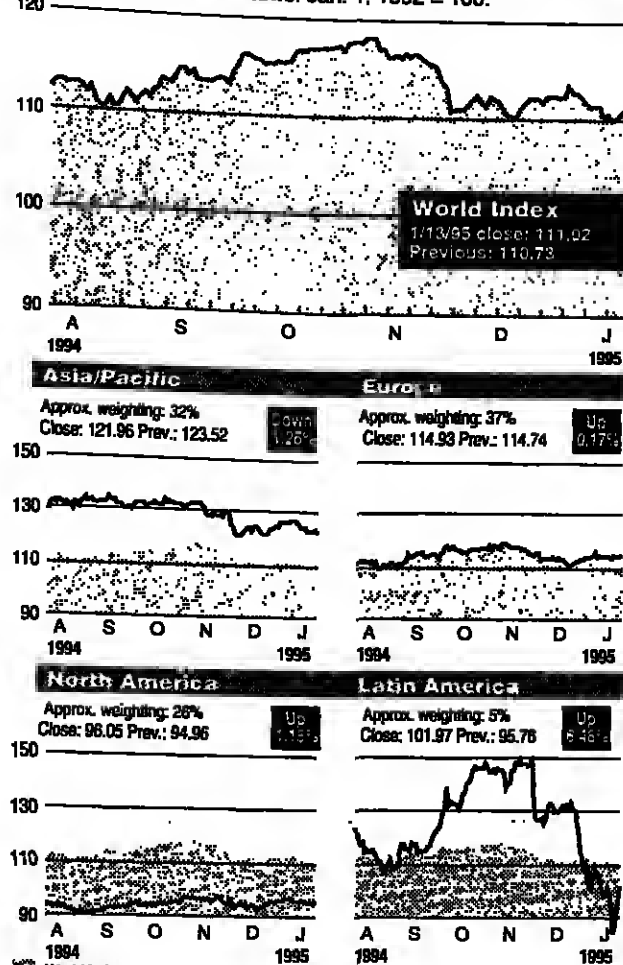
1945: A Case of Regicide?

ANKARA — King Boris of Bulgaria was murdered in his airplane on his return from a visit to Hitler's headquarters, according to testimony of the former Bulgarian Regent, Prince Cyril, before the people's court at Sofia. Asked by the prosecutors about the sudden death of King Boris, Prince Cyril said that he believed the death was not natural. His brother, Cyril explained, had suffered heart trouble after meeting with Hitler and that the Germans had given him an overdose of oxygen which, Cyril says, probably caused heart failure.

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THE TRIB INDEX: 111.02
International Herald Tribune World Stock Index, composed of 280 internationally investable stocks from 25 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and other major financial centers. The index is composed of the 20 top issues in terms of market capitalization, otherwise the ten top issues are tracked.

Industrial Sectors							
	Frt. close	Prev. close	% change		Frt. close	Prev. close	% change
Energy	111.86	111.02	+0.76	Capital Goods	114.33	113.99	+0.30
Utilities	121.31	119.84	+1.40	Raw Materials	132.47	131.87	+0.45
Finance	110.68	111.33	-0.58	Consumer Goods	103.66	103.19	+0.46
Services	108.31	107.27	+0.97	Miscellaneous	112.33	113.20	-0.77

For more information about the index, a booklet is available free of charge. Write to Trib Index, 161 Avenue Charles de Gaulle, 92521 Neuilly Cedex, France.

Sales Dip At Stores In U.S.

Slower Economy Is Seen in Report

WASHINGTON — Retail sales fell in December for the first time in eight months, surprising analysts and suggesting that a long-awaited economic slowdown may have begun. The decline is noteworthy coming in the Christmas season, when sales usually are the strongest. The Commerce Department said Friday that sales slipped 0.1 percent last month. The government also revised sharply downward its figures for November to show a sales gain of only 0.2 percent, instead of an earlier estimate of 1.2 percent. The sales report triggered a rally in U.S. financial markets. The price of the 30-year Treasury bond surged, while on Wall Street the Dow Jones industrial average soared 49.46 points higher, to 3,908.49. But the retail sales report, an advance figure based on a survey of only 3,000 stores, is considered by economists unreliable and is often revised when the full complement of 36,000 retail outlets is heard from. An example of such revision is what happened in November. Consumer spending does seem to be growing more slowly, said David Kelly of Lehman Brothers Global Economics, but not to the degree indicated by Friday's figures.

He said retail sales growth in December was more likely 0.6 percent or 0.8 percent, based on information he had already gathered from Visa and MasterCard receipts, from shopping mall trade groups, and from the Johnson Redbook private retailer survey, which reported strong gains at big stores. "December is the most closely watched month in the retail trade, and none of the other

See STOCKS, Page 8

Small Companies Strike It Rich in Old U.S. Oil Fields

By Agis Salpukas

New York Times Service

Proven domestic oilfields that the major oil companies do not consider worth their while are being snapped up by free-spending independent companies.

The plan, backed by President Bill Clinton and key members of Congress, could make available to Mexico as much as \$40 billion in commercial credit.

The idea is that the existence of a such a massive credit line will convince investors to stay put. It may even attract new money that is searching for bargains, thus restoring confidence in the currency without Mexico having to draw too much of the new credit.

"The object is to get markets working again," a Mexican official said. "It's possible this package will not be used very much at all."

The most immediate use of the money would be to offer longer-term dollar bonds to foreign holders of \$17 billion in Tesobonos, government bonds whose value is tied to the dollar and which must be paid off in the next six months.

But the stock and currency markets showed signs that confidence was returning. The dollar was quoted at 5.20 pesos on Friday, down from 5.37 pesos Thursday. In Mexico City and New York, Mexican shares rallied on news of the loan guarantee, and the benchmark Bolsa index closed 4.6 percent higher. Goldman, Sachs & Co., even told its clients it thought the worst was over for Mexico.

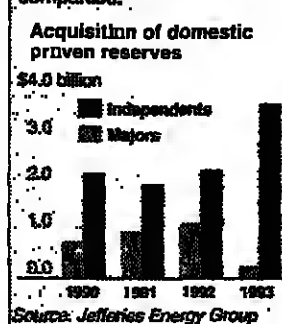
The commitment to the loan guarantee was underlined Thursday night in a White House statement by Mr. Clinton, who promised "to do what is necessary to restore financial confidence in Mexico."

When Robert Rubin, the Treasury secretary, and Alan Greenspan, the Federal Reserve Board chairman, briefed Congress Friday on the details, they found leaders of both parties to be receptive to plan. The guarantee will need Congressional approval.

The financial package combines several ele-

Niche Players

Acquisition of domestic proven reserves



fields that these added supplies have helped lower the price of gas.

"Their efforts assure us that we are going to have plentiful supplies of inexpensive gas into the next century," said Brad L. Beago, an analyst with Jefferies & Co. in Houston.

The large oil companies are still the biggest oil and gas producers in the United States and are not oblivious to the fact that their old fields still have life.

These companies simply say they can make more

See OIL, Page 8

Mexico Plans To Use Oil to Underwrite Loan

By Lawrence Malkin

International Herald Tribune

NEW YORK — The U.S. and Mexican governments said Friday that Mexico was ready to use its oil revenues to underwrite U.S. loan guarantees that Wall Street has been seeking to justify keeping money in Mexico.

The plan, backed by President Bill Clinton and key members of Congress, could make available to Mexico as much as \$40 billion in commercial credit.

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ments. First, the U.S. government will guarantee the repayment of up to \$40 billion in commercial loans that Mexico floats in international markets to stabilize the peso. Mexico will pay a fee for this guarantee. The main benefit to the borrower is lower interest rates.

This type of assistance has been used to guarantee Israel's loans in international capital markets against default and in guarantee housing loans in domestic housing markets.

To reassure potential buyers that any new dollar bonds floated by Mexico will pay regular interest, an official in Mexico City said the government of President Ernesto Zedillo Ponce de León was prepared to set aside the revenues of the state oil company, Pemex.

Mexico did this during the debt crisis of the 1980s and thus avoided selling one of the government's main money makers.

The next hurdle is the more technical but crucial one of rolling over the Tesobonos held by major U.S. mutual funds.

Mutual funds had demanded dollar guarantees last year as the price for keeping their cash in Mexico and not deserting the government of President Carlos Salinas during an election year. Some of the large holders have signaled they want to pull out of Mexico.

To persuade them to remain, the Mexican government has been working with U.S. investment firms to create a dollar bond to replace the Tesobonos. Officials said it should be ready in a week or 10 days.

At current bond prices, Mexico would have to pay punishing interest rates of 20 percent or more to retain the mutual funds' money. The investment bankers proposed offering the new dollar bonds in small amounts as the Tesobonos come due rather than in one big package. If the foreign funds are receptive, they hope the Tesobonos can be rolled over gradually at less exorbitant rates, which may even decline as confidence returns with the aid of the U.S. government guaranteed credit line and a domestic austerity program to reduce the balance of payments deficit.

Study Shakes Crédit Lyonnais

Compiled by Our Staff From Dispatches

PARIS — Investment certificates in Crédit Lyonnais SA, the ailing state-owned bank, slumped by 4 percent Friday after the bank came under intense criticism in a private report for allowing problem loans to accumulate.

The bank's investment certificates, the only instruments available to private investors, dropped 17 francs in Paris to finish the day at 394 francs each (\$74.00). They had been 6 percent lower in earlier trading.

The study, published by a group of leading political and financial figures called Equinox, said Crédit Lyonnais's troubles reflected the problems of France's civil service and banking system.

It said that "the failure of Crédit Lyonnais" was "not an isolated incident" but "an accumulation of the good and bad points of the French banking system turned into a caricature."

The report comes as negotia-

tions between Crédit Lyonnais and the French Treasury over the size and nature of the bank's second state bailout in a year enter their final stages. Crédit Lyonnais received a cash injection of 4.9 billion francs (\$920 million) last year from the state and two state-owned shareholders.

Contrary to a highly critical parliamentary inquiry last year into Crédit Lyonnais, however, the new report concluded there was no reason to lay excessive blame at the door of the bank's managers. While it did agree that rescuing Crédit Lyonnais was "the only possible strategy," the report warned that it would cost the state "more and more" to bail out.

(Bloomberg, AFP)

Budget Cut Helps Peseta

Reuters

MADRID — The government said Friday it would cut spending and announced other economic reforms in hopes of restoring confidence to the sagging peseta.

Finance Minister Pedro Solbes said the government would cut spending this year by 150 billion pesetas (\$1.1 billion). He also announced monthly controls on ministerial spending and measures that would free up land for development and introduce greater flexibility in private pensions.

The peseta rose slightly on the news. The Deutsche mark slipped to 86.62 pesetas from 87.26 in afternoon trading in New York. Stocks edged higher; the General index rose to 278.11 from 275.95.

Mr. Solbes attacked as irresponsible and "badly intentioned" what he described as a rumor campaign in markets designed to unsettle the peseta. Rumors had been circulating that Prime Minister Felipe González had seen King Juan Carlos I on Friday to discuss early elections.

The peseta had surged on the rumors, reflecting what analysts said was the market's preference for early elections to resolve what it sees as a political impasse.

ECONOMIC SCENE

Mexico Relied on Fickle Foreign Cash

By Peter Passell

New York Times Service

NEW YORK — To judge by the press reviews, Mexico's economic reforms did everything right. Why, then, did the peso collapse?

For those inclined to gloom, the lesson is that foreign capital is fickle; countries that depend on money from abroad are riding the tail of the tiger.

Taking this view, the rest of Latin America, as well as the former socialist economies, should be on notice: The only safe route to prosperity is the one taken by East Asia, where growth has been financed largely by domestic savings.

Mexico did not do everything right. As Rudiger Dornbusch and Alejandro Werner of the Massachusetts Institute of Technology pointed out in April, in an article published in the Brookings Papers on Economic Activity, Mexico took a chance by using the speculative enthusiasm for Mexican assets to prop up the value of the peso.

The real lesson, according to Robert Z. Lawrence of the Kennedy School at Harvard University, is that wide-open global capital markets create big risks and big temptations, leaving little margin for political opportunism in setting exchange-rate policy.

Mexico's transformation is a thing of wonder to political economists. Since the late 1980s, Mexico has reduced its budget deficit from 9 percent of national income

to zero, reduced inflation from 145 percent to 6 percent and opened almost every market to global competition.

Skeptics have been asking for some time why the Mexican reforms had yet to translate into levels of economic growth or job creation like those in Asia.

That failure was generally explained away as the transitory price of breaking

Mexico took a chance by using speculative enthusiasm for Mexican assets to prop up the peso.

up monopolies and forcing inefficient Mexican producers to live without subsidies or import protection.

The more immediate worry after 1992 was a large and growing deficit in trade and foreign-debt service — what economists call the current account. But here, too, the Mexican government encouraged the view that weakness was a sign of strength and proof that Mexico was sufficiently attractive to foreign investment to pay for the boom in imports.

Now that the peso has been crushed in a dash for the exits, a new conventional wisdom is emerging: Dependence on foreign capital — especially capital from institutional investors who live or die on month-to-month performance — is an invitation to disaster. According to Mr.

Dornbusch and Mr. Werner, though, that is half the story at best.

Mexico's leaders, they suggest, chose to peg the peso at an exchange rate that made imports cheap and exports uncompetitive because they were eager to eradicate inflation. They were able to peg the peso high because of foreigners' rush to invest in the promised land.

C. Fred Bergsten, the director of the Institute for International Economics in Washington, offers a more attractive spin on the same surmise. The plan, he guesses, was to allow the peso to depreciate in an orderly fashion after the election passed and Mexicans could be asked to accept a reduction in living standards that would follow rising import prices.

Fighting inflation with an overvalued currency "was a risky strategy," he said, "but not an irrational one."

Where does that leave Mexico? Jeffrey Sachs of Harvard says a fixed, credibly defended exchange rate is a key to price stabilization in economies lacking a tradition of free markets, convertible currencies and stable prices.

A development strategy built around open capital markets requires self-discipline, he says, because once the exchange rate is fixed the cost of letting it go is enormous.

Policymakers must be prepared to play by what central bankers used to call "the rules of the game," allowing domestic interest rates to rise and the domestic money supply to fall when investors use the domestic currency to buy dollars.

CURRENCY & INTEREST RATES

Cross Rates									
	\$	£	D.M.	F.F.	Lira	Y.P.	S.P.	Yen	Ch. P.
Amsterdam	1.719	2.672	1.717	1.717	1.717	1.717	1.717	1.717	1.717
Bremen	1.719	2.672	1.717	1.717	1.717	1.717	1.717	1.717	1.717
Frankfurt	1.719	2.672	1.717	1.717	1.717	1.717	1.717	1.717	1.717
London	1.719	2.672	1.717	1.717	1.717	1.717	1.717	1.717	1.717
Madrid	1.719	2.672	1.717	1.717	1.717	1.717	1.717	1.717	1.717
Munich	1.719	2.672	1.717	1.717	1.717	1.717	1.717	1.717	1.717
New York	1.719	2.672	1.717	1.717	1.717	1.717	1.717	1.717	1.717
Paris	1.719	2.672	1.717	1.717	1.717	1.717	1.717	1.717	1.717
Rome	1.719	2.672	1.717	1.717	1.717	1.717	1.717	1.717	1.717
Stockholm	1.719	2.672	1.717	1.717	1.717	1.717	1.717	1.717	1.717
Tokyo	1.719	2.672	1.717	1.717	1.717	1.717	1.717	1.717	1.717
Zurich	1.719	2.672	1.717	1.717	1.717	1.717	1.717	1.717	1.717
ECU	1.719	2.672	1.717	1.717	1.717	1.717	1.717	1.717	1.717
1994	1.719	2.672	1.717	1.717	1.717	1.717	1.717	1.717	1.717

Charges in Amsterdam, London, Milan, Paris, New York, Toronto and Zurich, finance in other centers. To buy one pound: To buy one dollar: To buy one yen: To buy one Swiss franc: To buy one Japanese yen: To buy one Australian dollar: To buy one New Zealand dollar: To buy one Hong Kong dollar: To buy one Singapore dollar: To buy one Thai baht: To buy one Indonesian rupiah: To buy one Philippine peso: To buy one Malaysian ringgit: To buy one South African rand: To buy one Botswana pula: To buy one Lesotho loti: To buy one Namibian dollar: To buy one Swazi lilangeni: To buy one Mozambican escudo: To buy one Angolan kwanza: To buy one Zambian kwacha: To buy one Malawi kwacha: To buy one Zimbabwean dollar: To buy one Botswana pula: To buy one Lesotho loti: To buy one Namibian dollar: To buy one Swazi lilangeni: To buy one Mozambican escudo: To buy one Angolan kwanza: To buy one Zambian kwacha: To buy one Malawi kwacha: To buy one Zimbabwean dollar.

MARKET DIARY

Surge in Bonds Supports Dollar

Compiled by Our Staff From Dispatches
NEW YORK — The dollar rose against the Deutsche mark and other European currencies Friday as an unexpected decline in U.S. retail sales sparked a rally in bond prices.

The dollar also benefited when the Italian lira recovered

against the mark. An emerging sense of stability in Mexico's financial markets also helped, traders said.

"The dollar picked up largely because the retail sales data took away worries of inflation and caused a significant rally in the bond market," said Hilte Waxman, of Bank Leumi Trust Co. in New York.

The price of the benchmark 30-year Treasury bond rose a full point, to 96 21/32, pushing its yield down to 7.79 percent from 7.88 percent on Thursday.

The mark gave up some of its recent gains against the Italian lira after President Oscar Luigi Scalfaro of Italy chose Lamberto Dini, a former Treasury minister, as the country's new prime minister.

"Dini's appointment has been very well received by the market," said Marjan Bell, an economist at Royal Bank of Scotland PLC.

The dollar suffered this week as traders seeking to escape currency troubles in Spain and Italy sold pesetas and lire for dollars and then dollars for marks.

The trend was reversed Friday, and the dollar rose to 1.5345 DM from Thursday's close of 1.5280 DM.

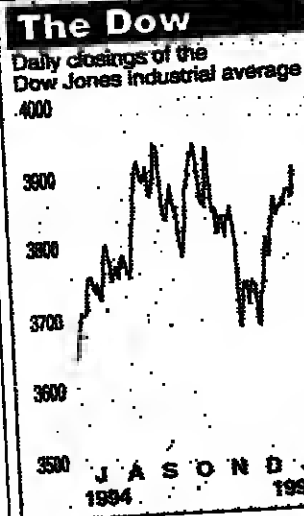
The yen rose against the dollar as investors retreated from relatively risky Asian and Pacific markets into the shelter of the Japanese cash market.

The dollar dropped to 98.550 yen from 98.605 yen at Thursday's close.

Against other currencies, the dollar rose to 1.2815, and to 5.2905 French francs from 5.2905. The pound fell to \$1.5685 from \$1.5735.

"Foreign investors are liquidating assets in Hong Kong and Thailand, and the yen is benefiting," said Dennis Pettit, manager of foreign exchange at Loog Tern Credit Bank of Japan in New York.

(Bloomberg, Reuters)



NYSE Most Active

Symbol	Vol.	High	Low	Last	Chg.
IBM	1,017,100	101 1/2	101 1/4	101 1/2	+1/4
Microsoft	1,017,100	54 1/2	54 1/4	54 1/2	+1/4
Oracle	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Novell	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Intel	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Motorola	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Rockwell	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Boeing	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Lockheed	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
General Electric	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Westinghouse	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
3M	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Johnson & Johnson	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Pfizer	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Merck	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Amgen	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Genentech	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Novartis	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Schering-Plough	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Glaxo	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Roche	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Sandoz	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Novartis	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Schering-Plough	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
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Sandoz	1,017,100	48 1/2	48 1/4	48 1/2	+1/4

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Pfizer	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Merck	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Amgen	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Genentech	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
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Rockwell	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Boeing	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Lockheed	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
General Electric	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Westinghouse	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
3M	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Johnson & Johnson	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Pfizer	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Merck	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Amgen	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Genentech	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Novartis	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Schering-Plough	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Glaxo	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Roche	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Sandoz	1,017,100	48 1/2	48 1/4	48 1/2	+1/4

NYSE Most Active

Symbol	Vol.	High	Low	Last	Chg.
IBM	1,017,100	101 1/2	101 1/4	101 1/2	+1/4
Microsoft	1,017,100	54 1/2	54 1/4	54 1/2	+1/4
Oracle	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Novell	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Intel	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Motorola	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Rockwell	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Boeing	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Lockheed	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
General Electric	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Westinghouse	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
3M	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Johnson & Johnson	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Pfizer	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Merck	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Amgen	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Genentech	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Novartis	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Schering-Plough	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Glaxo	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Roche	1,017,100	48 1/2	48 1/4	48 1/2	+1/4
Sandoz	1,017,100	48 1/2	48 1/4	48 1/2	+1/4

NYSE Most Active

Symbol	Vol.	High	Low	Last	Chg.
IBM	1,017,100	101 1/2	101		

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Taiwan to Seek Greater Trade Ties With China

Taipei — The committee responsible for setting Taiwan's policy toward China approved on Friday a plan to promote commerce between the two rivals, ahead of high-level bilateral talks in Beijing next week.

The plan aims to promote beneficial economic ties, establish order in economic exchanges and help Taiwanese business executives coordinate with their counterparts in China, said Kao Kuong-lian, deputy chairman of the Mainland Affairs Council.

"We will promote market-oriented economic and trade ties between the two sides, under the considerations of both national security and stable economy, in order to make more room for Taiwan to develop in the Asia-Pacific region," Mr. Kao said.

He said the plan, which a council official expected would receive final cabinet approval within a month, urged starting an offshore shipping center from which ships might sail directly from Taiwan to China for the first time since 1949.

The offshore center is to be in Taiwan's southern port of Kaohsiung.

"We have approved the package, including the offshore shipping center, to cope with the Asia-Pacific Operation Center project," Mr. Kao said.

The Asia-Pacific Operation Center is the name Taiwan gives to its ambition to rival Hong Kong and Singapore as a regional center for finance and commerce.

Stable political and commercial relations with China are seen as crucial to realizing this plan, but Mr. Kao said that the basis for these relations was not solid.

"Because of the unstable Communist government, their policy toward Taiwan changes

FSX: Bumpy Ride Ahead

U.S.-Japan Fighter Faces Cost Hurdles

By Andrew Pollack
New York Times Staff Writer

NAGOYA, Japan — Despite Japan's high-profile introduction of the prototype of its FSX fighter, the first major weapon jointly developed with the United States, the project may still face a troubled future.

With the Cold War over and Japan's military procurement budget tighter, questions are being raised about whether the FSX should even move from prototype to production.

If production does go ahead, as appears likely, Japan is said to be considering only 70 to 130 aircraft, so few that some analysts say the price of each plane could surpass \$100 million. That is four times the price of the F-16, the fighter developed by General Dynamics Corp. upon which the FSX is based.

Negotiations between the United States and Japan could take more than a year to determine the number of planes that should be built and the work that should go to U.S. companies. Meantime, tensions could flare.

In the late 1980s, the proposed fighter prompted disputes between the United States and Japan. Critics in Congress and elsewhere said the Pentagon was giving Japan technology to develop its own aircraft industry, which would eventually do to Boeing Co. and Lockheed Corp. what Japan's auto industry did to General Motors Corp. and Chrysler Corp.

Still, the companies involved in the project on both sides of the Pacific are hoping Japan will make as many planes as possible.

"In order to keep the Japanese aviation industry alive, we have to go into production," said Kazuo Shibuya, senior director for Japan at the aircraft engine division of General Electric Co., which is supplying the engines for the prototypes, the first of which was unveiled Thursday.

The prime Japanese contractor on the FSX is Mitsubishi Heavy Industries Ltd. The 4,500 employees in its aircraft factory are short of work because the government has cut back on aircraft production. The FSX is their biggest hope to keep the factory operating.

The project also could provide several billion dollars of business for beleaguered U.S. military contractors, which are expected to get 40 percent of production work. The biggest beneficiary would probably be Lockheed.

Vernon Lee, the FSX program manager for Lockheed, said the company expected \$2 billion in business from the production phase, on top of the \$900 million it would receive from the development phase.

The initial controversy about technology

Malaysia Prepares For Space

KUALA LUMPUR — Malaysia has set up a space consortium to design, manufacture and launch a microsatellite the size of a filing cabinet in 1997 as part of its new space program.

Prime Minister Mahathir bin Mohamad said Friday.

"Maxstar will undertake the microsatellite program that will enable scientific research activities, in and from space, to be carried out," Mr. Mahathir said.

Maxstar, the Malaysian Space and Telecommunications Research Consortium, comprises Binarian Sdn. Bhd., Telekom Malaysia Bhd., Space Science Studies Division of Malaysia, the Malaysian Institute of Micro-Electronics Systems and the country's five universities.

Binarian is developing and operating Malaysia's first communications satellite, called Measat, built by Hughes Space & Communications Inc., which is due for launch Dec. 20 by the French-led ArianeSpace consortium.

Mr. Mahathir said the Indian Space Research Organization also will help develop satellite technology.

Binarian's Measat commercial manager, Abdul Halim Hamid, said Maxstar had allocated \$20 million for the microsatellite program.

Mr. Mahathir said Friday he would attend the Osaka summit of Asia-Pacific leaders in November if Japan could ensure that the interests of developing countries were reflected in freer trade and investment plans for the region, Agence France-Presse reported.

Mr. Mahathir told visiting Finance Minister Masayoshi Takemura of Japan he did not want the summit of the Asia-Pacific Economic Cooperation forum to bulldoze proposals that were not first scrutinized by senior officials, Japanese officials said.

Investor's Asia				
	Hong Kong Hang Seng	Singapore Straits Times	Tokyo Nikkei 225	
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1995	10000	2400	22000	
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2017	10000	2400	22000	
2018	10000	2400	22000	
2019	10000	2400	22000	
2020	10000	2400	22000	

Very briefly:

- India cleared several U.S. investment proposals before the weekend, when Commerce Secretary Ronald H. Brown was set to visit, including a plan by U.S. West Inc. to set up and operate basic telecommunications services and projects for two oil refineries.
- Indonesia is weighing tariff protection measures for one of its biggest petrochemical companies, PT Candra Asri, a controversy simmers over the company's demand for 40 percent tariff protection for products of its \$1.7 billion olefin petrochemical plant.
- Vietnam is set to launch a trial sale abroad of up to \$400 million in bonds and bills to raise foreign capital.
- Fujitsu Ltd. will set up a joint venture in Tokyo with Corporate Software Inc., of Boston, to provide consulting to computer users.
- China is on the verge of signing a multibillion-dollar contract with several French and Franco-British firms for a second nuclear plant at Daya Bay, near Hong Kong.
- Mitsubishi Corp., Mitsui & Co., Sumitomo Corp. and Marubeni Corp. all had their credit ratings downgraded by the Japan Bond Research Institute because of a deterioration in their earnings.
- China has approved establishment of two new futures exchanges, in the northern cities of Changchun and Tianjin.
- Nisshe Iwai Corp. of Japan plans to sign a deal with Tata Iron & Steel Co. of India next week to cooperate in steel projects.
- China's total foreign trade jumped 20.9 percent, to \$236.7 billion, in 1994, and accounted for nearly half the value of all economic output, the official Xinhua news agency reported.
- Matsushita Electric Industrial Co. said it expected to achieve a 30 percent cut in management and clerical staff by March next year, a year earlier than originally planned.

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PERSONALS

MAY THE SACRED HEART OF JESUS be adored, loved and preserved throughout the world, now and forever. Sacred Heart of Jesus, pray for us. Saint John, worker of miracles, pray for us. Saint Joseph, helper of the hopeless, pray for us. Say this prayer me times a day, by the altar, by your prayer will be answered. If publication must be processed - JAC & C.

THANK YOU SACRED HEART of Jesus for prayers answered. Thank You.

THANK YOU SACRED HEART of Jesus and Saint Joseph for prayers answered. GIMC.

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FIRST COLUMN

Get Message Across to the Little Guy

THE beginning of 1995 has seen heavy selling by small investors with mutual-fund holdings in emerging markets. Mexican funds have had particularly heavy calls for redemption. If the trend continues, the net sales figures for January (published next month) are certain to set records.

There are all sorts of fancy morals that can be drawn from this unhappiness. The cynic could say that the small investor's preference is an excellent indicator of what is undesirable. If the little guy buys, sell. If he sells, at least think about buying (on which logic, the panicky exodus from Mexico would seem a good investment opportunity).

But investment theories predicated on other people's panic are typically less than reliable. A more sober conclusion to be drawn from the Mexican crash (or tequila hangover) is this: Investors do not understand the risks they are taking.

This is partly the fault of the fund management groups, some of whom have just set back and let their salespeople sell. They have made the convenient assumption that investors already know that these funds are subject to large fluctuations in price, and should form a small percentage of a balanced portfolio. It is partly the fault of the media, which have not transmitted the message — at least not clearly enough nor often enough — that these are risk investments. But finally, it is the fault of the investor. You can talk about risk interminably, but when greed triumphs over reason you will not be heard. M.B.

Emerging Markets Try to Snap Out of 'Tequila Hangover'

By Iain Jenkins

LAST year was rough for emerging-market investors. First, they were battered by the shock waves from a series of rises in U.S. interest rates. Then just as everything appeared to have settled down, the Mexican government was forced to float — read devalue — the peso in December, sending stocks crashing. The leading Mexican stock index ended the year down 39 percent.

These two influences — U.S. monetary policy and the Mexican crash — are likely to remain dominant factors in 1995. American interest rates are expected to climb. And investors are nervous the "tequila hangover" will spread through Latin America, and even Asian, markets.

Overall, emerging markets fell 9 percent in 1994, according to the Morgan Stanley Index of Emerging Markets. The figure is more or less in line with many developed markets. However, it masks sharp divergences in performance.

At one extreme Turkey slumped 52 percent and Poland was down a huge 59 percent. Meanwhile, Brazil was the best market, rising 49 percent, with Peru in second place, up 47 percent.

Evidence that investors are in for another rocky year in 1995 came within the first few days of January. Hong Kong fell amid growing uncertainties about the property market. Argentina and Brazil were then caught up in the "tequila hangover" with São Paulo slumping 20 percent from its December peak.

Many people now fear that the current year could be far rougher than 1994. But the question facing investors is whether the markets are about to crash or whether, once the current turmoil has passed, the slump in many emerging markets represents a rare buying opportunity.

Albert Edwards, global strategist at the London brokerage Kleinwort Benson, is

Best Performing Emerging-Market Funds

Value of \$100, income reinvested, excluding charges. Over one year to Jan. 12, 1994.

Fund	Performance	Fund	Performance
Emerald Equity	240.02	Formosa Growth Fund	158.16
Brazilian Investments SA	239.22	Five Arrows Chile Fund	157.98
Daehan Intl Investment Trust	202.27	Kwang Hua Growth Fund	156.86
Brazvest Fund Ltd	201.90	JF Securities IT Taiwan Fund	156.73
SAM Brazil	195.04	Chile Fund	156.64
First Brazil Multi-Portfolio	194.28	Eternity Fund	156.32
Daehan Korean Emer Growth	192.56	Baring Korea Unit Trust	154.28
Equity Fund of Brazil	191.38	Korea Fund Inc.	153.99
Eagle Fund Inc.	188.75	India Fund B	152.89
Brazilian Investment Fund Inc.	181.13	Jupiter Tyndall GF Korea Vis	152.54
Brazil Fund	175.06	Toronto Trust Chile Fund	152.54
Saoul Horizon Trust	167.78	Thomson Taiwan Equity Growth	152.13
Brazilian Equity Fund	166.52	New Taipei Fund	151.29
Genesis Chile Fund Ltd (Und)	164.60	NITCO Fuyuan Fund	150.96
Korea Asia Fund	163.30	Geo Summit Class C (Fid Inc)	150.81
South America Fund (a)	162.94	Opportunity Brazil Fid Income	150.48
Second India Investment Fund	162.16	Opportunity Brazil Electricity	150.45
Brazilian Investment Co	161.82	Manila Fund (Cayman) Ltd	150.31
Cindam Equity	161.44	Thomson Taiwan Equity Income	150.05
Korea Equity Trust	161.24	Saoul International Trust	149.74
INVESTCO Taiwan Growth	160.47	Schroder Emerging (Commingled)	149.63
GT Chile Growth	160.30	GT Taiwan	149.62
Opportunity Brazilian Equity	160.14	JF Taiwan Trust	149.46
Brazilian Investment Trust (Und)	158.13	Taipei Fund	149.19
Korea International Trust	158.32	Formosa Fund	148.14

Source: Mitrupal

International Herald Tribune

in no doubt that the outlook is bleak: "The simple truth is that the party is over. Global markets have feasted off easy U.S. money and it is now going home. Crunch times have now arrived for the markets. Take cover."

The possibility of a huge repatriation of U.S. investment capital has always been the nightmare scenario for emerging-market investors. Money from the United States fueled the 1992-93 emerging-market boom. If this money is tempted home

by high U.S. interest rates, it will lead to meltdown in many emerging markets. It is all too easy to imagine how the worst-case scenario could unfold. U.S. funds start to flood home. Boris N. Yeltsin is overthrown by the military in a coup following the Chechnya debacle. Real signs of inflation take hold in the United States forcing the Federal Reserve into a sharper interest-rate increase. Finally, Wall Street crashes.

Alternatively, Richard Watts, head of

emerging markets at Gartmore, a fund manager in London, says that emerging markets could implode if another country springs a nasty Mexican-style surprise.

"The key is Brazil," he said. "If the reform process stutters in Brazil, I can see a mass exodus from emerging markets. Investors are already saying that if Mexico can't get it right what chance have the rest got?"

Ed Games, Latin American portfolio manager at Scudder, Stevens & Clark, a leading American fund management group, refuses to get caught up in the scaremongering.

"I think the U.S. is close to the end of monetary tightening," he said. "The damage has been done. Starting from this level I think long-term investors have a good point of entry into emerging markets."

He particularly likes Brazil. "The country is just starting the reform process," he said. "Inflation has come down from 50 percent a month to 1 to 2 percent. And growth is expected to be at least 4 percent this year."

Like other emerging-market fund managers, he cites Chile, which is expected to thrive, helped by buoyant copper prices and a booming corporate sector.

Nigel Rendell, emerging-market strategist at the London brokerage James Capel, is not pessimistic about 1995 — nor is he particularly optimistic.

"Investors are going to have to be selective. It is no longer any good just throwing money at any emerging market and waiting for it to double in a year," he says.

He contends that the secret is to avoid countries with currencies tied to the U.S. dollar and markets dependent on foreign capital. Argentina and Hong Kong are top of Mr. Rendell's list of countries to be avoided.

Emily McLaughlin, director of the fund manager Foreign & Colonial, who manages a Latin American and two Brazilian funds, says: "Mexico has shattered the

Into 1995...

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Best and worst U.S. funds of 1994
Emerging market funds and fund roundup
Experts' calls

emerging market dream for a while in Latin America. Ironically, Mexico is now a good buying opportunity but not just yet. I'd like to see the index down a bit more before buying."

She adds: "You can't underestimate the vehemence that many people feel toward Mexico. They feel let down. In the short term it is going to be rough in most emerging markets, particularly when you factor in what could happen with U.S. monetary policy."

Not everyone is surprised by the Mexican fallout. Many old hands see it as part of an inevitable process in emerging markets. These people remain convinced by the long-term rationale for investing in these high-growth economies. They argue that investors should buy once the markets have stabilized after a fall.

Peter Jefferys, managing director of Fund Research, a London fund analysis firm, says: "Setbacks should be seen as buying opportunities. Anyone investing in emerging markets should take a four- or five-year view and should feel happier buying in to a market that has fallen rather than one that has hit new peaks."

He is referring to the tendency for many investors to buy funds when markets are at or near their highs and to sell just when they hit the bottom. Many investors bought emerging-market funds in early 1994 just as markets peaked. The danger in early 1995 is that they will be panicked into selling just before markets recover.

The Money Report is edited by
Martin Baker

THE FUND PERFORMANCE FOCUS

Herald Tribune

FEATURED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

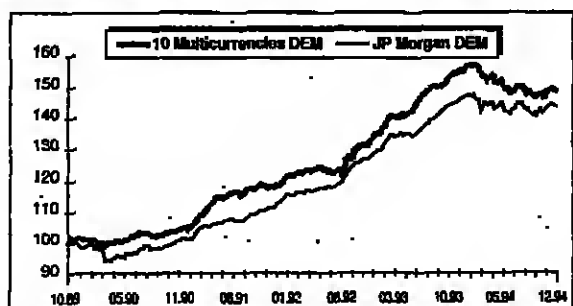
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the mutual fund groups advertising in this section, simply circle the appropriate number on the coupon (at the bottom of the page) and return it to us by letter or fax and information will be mailed to you by the companies involved.

The I.H.T. would like to remind its readers that past performance is no guarantee of future results and that the value of an investment and the income from it can go down as well as up.



Inter Optimum Multicurrencies



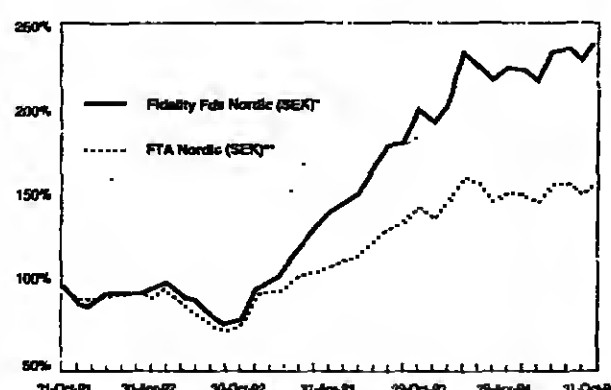
Inter Optimum Multicurrencies is a sub-fund of the Luxembourg umbrella fund "SICAV" Inter Optimum whose assets are invested mainly in bonds on the main international markets. Its net asset value is denominated in Deutsche Marks.

The fund is particularly aimed at investors in Continental Europe, more specifically in the Deutsche Mark zone (Germany, Netherlands) and global investors benefit from the strong Deutsche Mark as the fund's reference currency.

Its diversification towards the main bond markets of the OECD countries enables it to capitalise on contrasting interest rate and currency trends.

After the sharp decline in the bond markets in 1994, and the downward trend in the Dollar against all currencies worldwide, yields currently generated are particularly high and offer attractive profitability.

Furthermore, the lack of inflationary pressure in Europe gives rise to hopes of an improvement in the bond yield in the next few months. The main focus in the fund is currently bonds with intermediate maturities (2-5 years) aiming at providing a good balance between attractive returns and protection of assets in markets eager to find a new balance following the recent crisis.



The Fidelity Fund Nordic is currently the No. 1 performing fund in its sector so far this year, over two years, over three years and since launch (just over four years ago). Since launch, it has grown by more than 161.6%, that's an average annual return of 25.4%.

By investing across the powerful markets of Scandinavia, the fund has been able to benefit from this region's early economic recovery. Now, with the rise in commodity prices and the rest of Europe emerging from the recession, we believe the prospects for this region continue to look attractive.

The performance of Fidelity Fund Nordic also typifies Fidelity's careful "stockpicking" approach to investment. We don't rely on bought-in research. Instead, every year our experts on the ground visit or contact 40,000+ companies world-wide in search of investment opportunities. In Europe alone we made over 2,000 company contacts last year. It's a highly successful approach that has helped make us the largest independent investment management organisation in the world.

For further information please contact one of our representatives on (+352) 251 351 230

* This figure includes share of FMR, a US company and an affiliate of Fidelity Investments International

** Source: Mitrupal NAV to NAV, gross income reinvested, to 1/1/95

INTERNATIONAL BALANCED GROWTH FUND

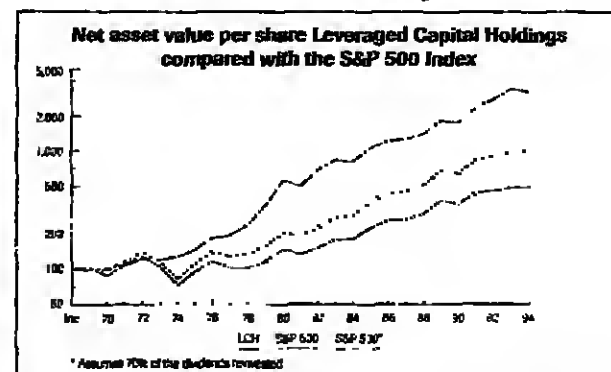


- A lower risk fund which aims to provide income and capital growth — a particularly suitable vehicle for an international investor's pension fund, or other long-term savings.
- Invests in an international portfolio of cash, bonds and equities. The current asset mix is: 39% equities, 33% bonds, 7% convertibles, 21% cash.
- This lower risk approach allows maximum flexibility in all market conditions.

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Leveraged Capital Holdings 25th anniversary



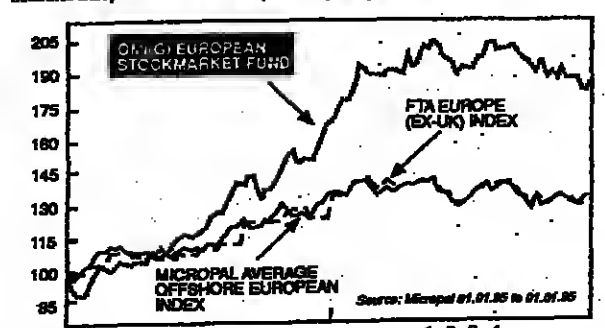
Leveraged Capital Holdings N.V., a joint initiative of the Edmond de Rothschild Group and MeesPierson, was established in the Netherlands Antilles in 1969 as an open-end multi-manager fund. Leveraged Capital Holdings invests in U.S. securities through a number of offshore funds managed by carefully selected fund managers.

The principle objective of the Fund is to provide investors with long term capital appreciation and reduced volatility through a diversification of different management styles.

With more than \$500 million now under management, this Fund has achieved a 15% annualized return on average over the past 25 years, as against less than 10% for the US stock market reflected by the S&P 500 Index (with 70% of dividends reinvested). The shares are listed on the Amsterdam Stock Exchange.

For further information please contact: MeesPierson Rotterdam, the Netherlands *31 10 401 5090

Since TSBF took over the management of the OM(C) European Stockmarket Fund, it has consistently outperformed both the FTSE Europe (ex-UK) Index and the Mitrupal Index of Offshore European Fund performance. In fact, according to HSBC/FT statistics, over the five years to 1 October 1994, TSBF managed the highest ranked UK domiciled European fund and the best-performing European offshore fund.



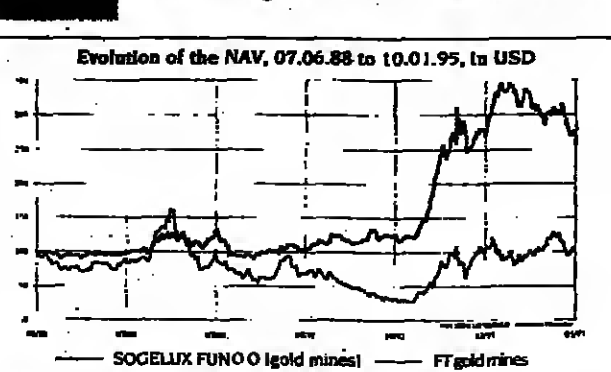
The Continental markets are perfectly suited to TSBF's stockpicking style. Whereas there is an immense volume of analysis and commentary available to UK and US investors, many Continental markets are much less comprehensively covered. This means that diligent research can uncover stocks available at substantial discounts to reasonable valuations based on earnings prospects or asset content. Such discounts are most frequently to be found amongst medium-sized companies and smaller markets, but careful diversification ensures that outperformance is not purchased at the cost of excessive short-term volatility.

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SOGELUX FUND Q Mining and Gold Instruments



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Since 1987 the Société Générale Group has been offering a Luxembourg mutual fund, SOGELUX FUND Q, today composed of 18 compartments with a total NAV of USD 770 million.

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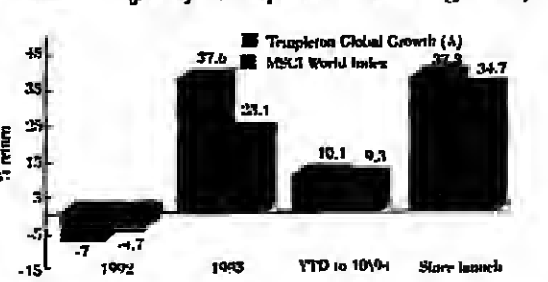
- 9 bond compartments specialized in countries or geographic areas (USA, Japan, Europe, Germany, France, UK, Belgium, Spain & Italy) and denominated in the matching currencies.
- 1 diversified world bond compartment denominated in USD.
- 5 equity compartments specialized in North America, Europe, Pacific Rim, Growth countries and sectors, Mining and gold instruments.
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Sogelux Q compartment invests in securities related to precious metals and rare minerals, and occasionally raw materials.

Small and medium size companies are particularly favored, which will grow and prosper regardless of the evolution of gold prices. Given the importance of the existing stocks of metal, both public and private, the fund does not use any kind of leverage.

The likely rise in gold prices is only considered as an additional potential bonus for Sogelux Q shareholders.

Templeton Global Growth Fund (part of the Templeton Global Strategy Funds)



OBJECTIVE
Seeks long-term capital growth by investing in equity related issues of companies and governments of any nation. The base currency is US dollars.

COMMENTS
Year to date (to 31.10.94) the fund is up by 10.1% which compares with an increase of 9.3% for the MSCI World Index benchmark. Market sentiment remains fragile as investors are unsure whether to concentrate on the improving outlook for corporate profits or the prospects for higher interest rates. Most equity markets look pretty fully valued and bargains are now harder to find. The fund is happy to maintain its exposure to commodity-related stocks and is currently finding good value in sectors such as food, retailing, and pharmaceuticals where underlying growth in profits should be steady and where the valuations are undemanding. The fund currently invests in a well-diversified portfolio of stocks in 24 countries.

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THE MONEY REPORT

Equity Funds: Some Winners, Lots of Losers

By Judith Rehak

FOR shareholders of U.S. equity funds scanning the newspapers for year-end performance figures, the question isn't whether they have made or lost money in 1994, but simply how much they have lost. The average equity fund ended the year down 1.69 percent, according to Lipper Analytical Services, the American fund data group. Even the Standard & Poor's 500 index managed to return 1.32 percent, with dividends reinvested.

For many of the funds that beat the odds and made it into the top ranks of the winners, technology stocks were the key to stellar returns. Fueled by exploding demand for everything from personal computers to complex networking systems, earnings at many high-tech companies were stronger than expected in 1994. The No. 1 fund overall was Seligman Communications & Information, which soared 35.3 percent, boosted by timely picks in volatile semiconductor and networking companies, while technology funds from the Alliance group and Merrill Lynch turned in 25 percent-plus returns.

Big gains in technology also propelled some general equity funds into the echelons of top performers. The Robertson Stephens Value Plus Growth fund, which ended the year up 23.11 percent, had done

well in cyclical stocks like homebuilding companies and banks as the U.S. economy recovered. But the portfolio manager, Ron Eljah, said he began to sell those stocks after the Federal Reserve raised interest rates for the third time.

"I was only 30 percent to technology then, but I saw that the most growth was there," he said. He has since boosted those holdings to a hefty 70 percent, owning companies like Newbridge Networks and Cisco Systems, the world's largest maker of computer networking systems. Mr. Eljah plans to stick with that strategy for now.

"Business in 1995 looks like it will be even better than in 1994," he said, adding that sales are booming both in the U.S. and overseas.

One notable exception to the dominance of technology among the winners was the Montgomery Growth Fund, which manager Roger Honour piloted to a 20.91 percent total return. Some of Mr. Honour's best picks in 1994 were "rust-belt" stocks, big industrial equipment makers whose fortunes recovered with the U.S. economy.

Paul Reis, who follows the fund for Morningstar, the Chicago fund-data group, describes Mr. Honour's strategy as looking for companies with acceleration in earnings, then doing fundamental research, and then comparing them to com-

petitors to find those with lower price-earnings ratios.

As for this year's worst performers, much of the heavy damage was inflicted by losses in Mexico and in the gold market. For Latin America funds, disaster came in the form of the unexpected devaluation of the Mexican peso, which lost more than 35 percent, and decimated the prices of Mexican equities. Two of the hardest hit: the TCW/DW Latin America Growth fund, which closed out the year down 23.73 percent, and the Fidelity Latin America fund, which fared only slightly better, plunging 23.16 percent.

Emerging market volatility wasn't confined to Latin America, however. A number of funds with big stakes in China and Hong Kong landed on the worst performers' list, their shares beaten down by steep drawdowns in both China and Hong Kong's stock markets, plus fears of a real estate bust in the latter.

Gold, the perennial favorite of the inflation-fearful, also gave investors one of its traditional roller-coaster rides. Things looked rosy in the third quarter when gold funds leaped an average 15.35 percent, but it was all downhill from there. At year's end, the group had skidded to a 12.23 percent loss. The tiny Montford fund actually lost half its value by mixing gold and options; the next worst, Invesco Stra-

tegic Gold, fell a whopping 27.85 percent, followed by several others with double-digit losses.

What went wrong? "The bottom fell out of the price of gold, and these funds are leveraged to that," said Eileen Makoff, who follows precious metal funds for Morningstar. "People were hopeful that it would break through the magic \$400 an ounce, but more supply came on stream, and the Fed was being very aggressive about raising interest rates to hold down inflation, so now it's around \$370," she said, adding, "It's a very psychological. It's more what people think about inflation than actual inflation."

Of course, there were funds which plummeted for reasons all their own. One of the most widely publicized was the American Heritage Fund, which plunged 35 percent, primarily as a result of its huge stake in Spectrum Information Technologies, a small company led briefly by John Sculley, the former chief of Apple Computer. Mr. Sculley's abrupt departure from Spectrum, his lawsuit against the company and the fund's forays into other investments that fell through, torpedoed its returns.

American Heritage had been a top performer, returning an average 49 percent a year from 1991 through 1993, attracting millions of dollars from investors.

U.S. Stock Funds: Tracking the Laggards

Worst performing U.S. stock funds*			
For worst-performers 1991, 1992 and 1993, performance in subsequent year.			
(Total % return)			
1994's Worst			
Fund	% return	% return '93	% return '94
Wright Equi: Hong Kong	-37.03		
American Heritage Fund	-35.33		
Alliance N Am Gv Inc; B	-30.80		
Alliance N Am Gv Inc; C	-30.79		
Alliance N Am Gv Inc; A	-30.24		
Piper Fds: Instl Govt	-28.35		
Invesco Strat: Gold	-27.85		
Oppenheimer Gbl Emrg Gr	-27.45		
Rydex: Precious Metals	-25.44		
Managers: Intnl Mgt	-25.07		
Monitor: Mgt Sec: Tr	-24.59		
TCW/DW Latin Amer Gr	-23.73		
Fidelity Latin America	-23.17		
CGM Cap Development	-22.92		
Fidelity Southeast Asia	-21.76		
50 Wall St: Pac Basin	-21.50		
Gintel Erise	-21.30		
GT Global Strat Inc; B	-21.30		
GT Global Strat Inc; A	-20.85		
Pilgrim: Adj Rtl - A	-20.54		
Fundamental: NY Muni	-20.47		
GT Global Pacific Gr; B	-20.30		
RBB: Emrg Mkts: BEA	-20.20		
Pilgrim: Adj Rtl - B	-20.17		
Pilgrim: Adj Rtl - C	-20.00		
1993's Worst			
Fund	% return '93	% return '94	% return '95
Dean Witter Cap Growth	-9.01	-3.03	
Invesco Strat: Health	-8.41	+0.94	
Yackman Fund	-6.58	+8.80	
Pasadena: Growth; A	-5.87	-3.75	
Flag Inv Cstl Gro: Flag	-5.62	-3.08	
Invesco Strat: Emvion	-4.69	-11.37	
CG Cap Mkts: Sm Cap Val	-4.27	-8.53	
Franklin Mgt: Rising Div	-3.50	-5.17	
Merrill Lynch: B	-3.49	-4.99	
PaineWebb Dividend Gr; B	-3.29	-6.57	
1992's Worst			
Fund	% return '92	% return '93	% return '94
Lexington Strat Invmt	-60.71	+269.78	
US: Gold Shares	-50.83	+123.92	
Van Eck: Intl Inv Gold	-29.09	+113.41	
DFA Grp: Japan Small Co	-25.12	+14.15	
Oppenheimer Gbl Emrg Gr	-22.88	-0.65	
Fidelity Sel Prec Mkt	-21.87	+111.64	
GT Global Japan Grow; A	-21.51	+53.45	
Lexington Goldfund	-20.51	+86.95	
Franklin Gold Fund	-20.31	+73.78	
DFA Grp: Contl Small C	-19.82	+25.32	
1991's Worst			
Fund	% return '91	% return '92	% return '93
Fidelity Sel Energy Str	-23.48	+3.43	
Lexington Strat Invmt	-18.93	-60.71	
SS Research: Gt Emrg; A	-17.84	+6.78	
U.S.: Gold Shares	-15.85	-50.83	
Lexington Strat Silver	-14.47	-11.54	
Benham: Gt Gold Eq Index	-11.23	-8.65	
Ivy Canada Fund	-8.03	-7.56	
Invesco Strat: Gold	-7.19	-8.22	
Southern Gold Fund	-6.93	-9.04	
Lexington Gold Fund	-6.14	-20.51	

* Funds with \$25 million or more in assets. Source: Lipper Analytical Services International Herald Tribune

Best Performing European-Invested Funds

Value of \$100, income reinvested, excluding charges. Over one year to Jan. 2, 1995			
Fund	Performance	Fund	Performance
Fidelity Fds Nordic	133.51	Merchant Sv-Nordic Eq Select	122.30
Hansard/Fidelity Nordic	132.61	Fidelity Money PTE Acc	122.20
Mercury WT European Eq Bear	131.09	Skandia SICAV Scandl Eq	121.71
Mercury WT UK Equity Bear	130.74	Unibank Scandinavian	121.03
Waverley Penny Share	129.95	SOLVALOR 81	120.78
UBF Multifund Primfund	129.64	Petercam Moneta BEF Liquid B	120.13
Skandia SICAV FIM Short Term	128.83	HTR Euro Spec Sits	120.06
Mi-Euro-Privatfonds N	128.39	Win GF International Reserve	120.04
Carlson Sweden	125.96	Lof Interinvest Cash LUF	119.96
Fidelity Money FIM Acc	125.93	Hermes Cash	119.91
Hypo F&C PF Mediterranean Eq	125.61	Money Plus (Bel) Dist	119.83
Merchant Sv Swedish Eq	125.60	Money Plus (Bel) Cap	119.83
Mercury WT UK Glt Bear	125.38	Skarco SICAV (FLUX) (m)	119.82
Generpart A	124.41	Paribas Short Invest	119.77
Generpart B	124.41	CG Cash Belgocap Acc	119.77
FONDO TRADING	124.41	Euro Money Market A BEF	119.71
Sima NAV	124.19	CMF SICAV Belgian Francs Dist	119.64
Morgan Grenfell European Grth	123.92	Proventus BEF Liquidity A	119.64
Swissair NAV	123.82	Chissec LUF Liquidity	119.62
Kansallis Fin Invest (m)	123.70	BIG ImmoInvest	119.57
PROFESIONALE RISPARMIO	123.27	ABN AMRO Interest Growth BEF	119.53
Unico UF DEM Renten	123.07	Short Fund LUF-BEF Dist	119.52
Alfred Berg Norden Scav	122.74	Luxcash Francs A (m)	119.52
MMW-SELECT-Fonds	122.54	Fidisco Cap	119.51
Lloyds Intl MMF PTE	122.43	BIL Money Market BEF	119.51

Source: Micropal International Herald Tribune

Best Performing Asian-Invested Funds

Value of \$100, income reinvested, excluding charges. Over one year to Jan. 2, 1995			
Fund	Performance	Fund	Performance
INVECO Taiwan Growth	136.91	Hansard/Fidelity Thailand	103.09
Thornton Taiwan Equity Growth	135.54	GT Korean Securities	103.05
JF Taiwan Trust	133.19	Indosuez Korea	102.92
Thornton Taiwan Equity Income	132.82	Thornton South East Asia	107.47
Taipei Fund NAV	132.35	Lippo Indonesia Rup Money Mkt	108.75
Baring Korea	130.34	GAM Singapore/Malaysia	105.80
Hansard/Baring Korea	128.13	Seoul Trust	105.77
Taiwan Capital	127.86	Barclays ASF Singapore	105.03
JF Korea	127.22	Jupiter Tyndall GF Taiwan	104.58
Bondier Korea	125.65	Dao Heng Malaysia & Singapore	104.55
Jupiter Tyndall GF Korea Vis	122.73	JF Money Fund HKD	103.89
Formosa Fund	120.61	HSBC GMF Hong Kong Dir	103.87
Baring Korea	120.24	Fidelity Money HKD Acc	103.57
Thornton Korea	117.72	Old Mutual Thailand	103.38
GT Taiwan	115.90	Korea Dynamic Fund	103.09
Korea Trust	115.13	Schroder Seoul	103.08
Regent Pacific Arbitrage	113.57	Hansard/Fidelity Singapore	102.98
Five Arrows IFL Sing Dir	112.07	Five Arrows CFL HK Dir	102.96
Five Arrows IFL Sing Dir	112.04	Five Arrows IFL HK Dir	102.84
Fidelity Money SGD Acc	112.01	Old Mutual Emerging Asia	100.25
Citizen Korea 1990	111.97	Inc Plnrs GSF Asian FI	99.89
Citizen Seoul Asia Index	111.36	NICAM Philippines Fund	99.71
Korea Growth	110.52	Manila Fund (Cayman) Ltd	99.56
Lippo Indonesia Growth	109.98	Asia Dynamic Fund B (m)	99.21
Regent New Korea Gth	109.82	Barclays ASF Korea	99.12

* Excluding Japan. Source: Micropal International Herald Tribune

Best Performing Mutual Funds, 1994

Value of \$100, income reinvested, excluding charges. Over one year to Jan. 2, 1995			
Fund	Performance	Fund	Performance
Mercury WT UK Equity Bear	130.74	Mercury WT UK Equity Bear	130.74
Hansard/IGT Technology	130.70	Hansard/IGT Technology	130.70
Baring Korea	130.34	Baring Korea	130.34
Edinburgh Tokyo	130.28	Edinburgh Tokyo	130.28
Hill Samuel Japanese General	130.03	Hill Samuel Japanese General	130.03
Waverley Penny Share	129.95	Waverley Penny Share	129.95
UBF Multifund Primfund	129.74	UBF Multifund Primfund	129.74
Garmon GSF Japan	129.64	Garmon GSF Japan	129.64
JF Japan OTC	129.53	JF Japan OTC	129.53
NM Japan Smaller Companies	129.51	NM Japan Smaller Companies	129.51
DFA: Japanese Small Co	129.49	DFA: Japanese Small Co	129.49
S & P Japan Growth	129.47	S & P Japan Growth	129.47
London & March Japan	129.43	London & March Japan	129.43
Globalvest Value	129.11	Globalvest Value	129.11
Clerical Med Japan Growth	129.09	Clerical Med Japan Growth	129.09
Scott Amicable Japanese	128.92	Scott Amicable Japanese	128.92
Govt: Smaller Companies	128.74	Govt: Smaller Companies	128.74
RK Japan-Invest	128.53	RK Japan-Invest	128.53
Alliance Technology/A	128.50	Alliance Technology/A	128.50
Finistere Jap Smllr Cos Life	128.49	Finistere Jap Smllr Cos Life	128.49
Skandia SICAV FIM Short Term	128.46	Skandia SICAV FIM Short Term	128.46
Guinness FI GSF Japan Sm Cos	128.33	Guinness FI GSF Japan Sm Cos	128.33
DWS-Japan-Fonds	128.24	DWS-Japan-Fonds	128.24
Hansard/Baring Korea	128.13	Hansard/Baring Korea	128.13

Source: Micropal International Herald Tribune

Predictions for '95: Can Our Experts Get It Right?

By Martin Baker

IF a thing is worth saying once, it's usually worth reiterating. What follows is the preamble we published a year ago to analysts' predictions for 1994:

"Financial analysts and commentators are paid to have a view. And the more elegant the view the more handsome the remuneration. The opinions offered to readers at the beginning of last year were models of cogent reasoning and well-structured financial analysis. Unfortunately, they were, in the main, wrong."

"The most common error

was excessive caution. This time around, critical opinion is much more bullish. Readers must draw their own conclusions. Here are two possibilities: Either the well-paid financial community is finally getting it right, and is about to let its clients accumulate some wealth of their own, or its optimism is a negative indicator — and a good sell signal."

As it turned out, the optimism was a negative indicator. Shares on the main markets did poorly; those traded in emerging markets mostly fared even worse. Bonds did, but what we mainly saw was bust.

We offer below the opinions of some more experts with just

this comment. Maybe these experts are better than the vintages of '93 and '94, maybe not. But they are, in the main, different.

• **Dietmar Becker, director, European equity markets, Dresdner Investment-Trust (the mutual fund arm of Dresdner Bank), Frankfurt:**

"We are moderately positive on European equities for 1995. We expect a small outperformance of equities as compared to bonds and that outperformance will be generated largely by earnings surprises. In particular, we favor the French and Italian markets where we believe political considerations are currently weighing down

the markets. Stocks in those markets could rally 10 to 15 percent. We are not as positive on German equities because of their high valuations in relation to other countries."

The biggest risks for stocks will be further massive increases in interest rates. A stop in the development of free-market economies in Eastern Europe or instability in Russia are also political risks, but political risks are short-term risks in equity markets. Long-term, it is earnings growth that moves stock prices. That said, a collapse in U.S. economic growth would damage European equities significantly."

• **Alice Ho, Fund Manager, Scudder Global Opportunities Global Fund, New York:**

"Two important themes in the year ahead will be capital investment and synchronized global growth. The growth that is going on in many markets is being driven by capital investment and not by consumption. Because the dollar has been weak, we think that puts U.S. capital goods producers in a very good position. Germany will also benefit from this trend since the recovery there has been better than expected, and German capital goods producers can compete fairly well as long as the yen remains strong."

• **Barton M. Biggs, chairman, Morgan Stanley Asset Management:**

"Peering with poor eyes through dingy glasses at the blind tablets, I think I see that we are in the latter stages of a cyclical bear market in equities that began over a year ago. What might be called 'The Crash of Mexico' is one more feather in the bear market's hat."

"It remains to be seen whether U.S. big-cap consumer and technology growth stocks can come through this bear market untouched. My hunch is that they will be the last feather. That great economist 'Dr. Copper' says that the world economy is strong and getting stronger. Copper has broken out to new highs recently. This is good news for the real economy and bad news for the financial economy."

"I don't believe for a moment that the Crash of Mexico signals the end of the secular bull market for emerging-country equities."

• **Nick Knight, head of strategy, Nomura Research Institute Europe:**

"The best advice is to have lots of cash: 1995 is going to be

much the same as the bulk of 1994 in that it is a year when there is little penalty for being out of the market, and there may be much to gain."

"I think bonds and equities will continue to be dogged by concerns with relation to the short end of the U.S. yield curve and whether there will be a slowdown in the world economy. The big debate is between those who believe in early and soft and those who believe in late and hard. The optimists tend to believe that the economy will slow down from here gently; the pessimists say interest rates have further to go, mutual funds will be redeemed, economies will crash, and financial markets are bad news."

"After cash I think we should probably have a preference for bonds because there will be a good bear market rally in bonds when people realize that there will be economic slowdown. In equities I would buy Japan for recovery. Elsewhere in Asia there is a cyclical opportunity for long-term stories at short-term prices."

• **Christy Keen, portfolio strategist at Fidelity Investments:**

"Moving into 1995 the economic environment is likely to be broadly favorable for equity markets. However, in view of the position in the interest-rate cycle, support for equities must come from corporate profits growth. As many countries, bar the United States, are still in the relatively early stages of economic recovery, the outlook for corporate profits growth worldwide is relatively attractive."

"In view of current inflation estimates, long bond yields are unlikely to rise substantially from current levels even though short rates could rise further. Against this background, equity markets should be able to move ahead with the best returns being achieved through careful stock selection rather than from the main indices."

"On specific markets we favor Japan where we are maintaining an overweight position. The key to the Japanese market will be the return of investor confidence. This is likely to come about as consumer confidence and confidence in the economic recovery generally increase. From a micro perspective, the profits outlook for many companies is already vastly improved, admittedly from a low base, and in many cases this does not appear to be factored into share prices."

• **Bale Netzer and Rupert Bruce contributed to this report.**

BRIEF CASE

In London's Strand, Citibank Installs Some Upmarket ATMs

Citibank's London offices on the Strand now feature 24-hour automated teller machines linked into Citibank's global network. The new service is targeted at "the niche of upscale international individuals with global needs," rather than the mass market in Britain, according to Anne McDonald, a spokeswoman for the bank. "We want our individual customers passing through London to have the same Citibank services as elsewhere," she said. Among the perks: account holders will be able to withdraw cash in pounds or in dollars, and obtain account information around the clock.

Micropal Offers a Directory On Emerging-Market Funds

The fund-monitoring firm Micropal has published a comprehensive emerging market mutual fund directory. Covering more than 800 funds domiciled around the world and invested in emerging markets, the directory offers readers basic information about each fund (fees, expense ratios, approximate size, and so on) and full contact details (distributors, agents, auditors).

For more information, call Micropal in London at (44 81) 741 4100.

December Market Scoreboard			
Best Performers		Worst Performers	
Over the month to Dec 29, % change		Over the month to Dec 29, % change	
New York Stock Exchange			
Amgen	10.5%	Amgen	-1.5%
Boeing	10.2%	Boeing	-1.5%
Continental Corp.	10.0%	Continental Corp.	-1.5%
IBM	9.8%	IBM	-1.5%
Merck	9.5%	Merck	-1.5%
Microsoft	9.2%	Microsoft	-1.5%
Oracle	8.8%	Oracle	-1.5%
Procter & Gamble	8.5%	Procter & Gamble	-1.5%
Walt Disney	8.2%	Walt Disney	-1.5%
Yale	7.8%	Yale	-1.5%
Frankfurt Stock Exchange			
Adidas	10.5%	Adidas	-1.5%
Beiersdorf	10.2%	Beiersdorf	-1.5%
Boehringer	10.0%	Boehringer	-1.5%
Carlson	9.8%	Carlson	-1.5%
Deutsche Bank	9.5%	Deutsche Bank	-1.5%
Henkel	9.2%	Henkel	-1.5%
Merck	8.8%	Merck	-1.5%
Novartis	8.5%	Novartis	-1.5%
Roche	8.2%	Roche	-1.5%
Wolfsberg	7.8%	Wolfsberg	-1.5%
Paris Stock Exchange			
Amgen	10.5%	Amgen	-1.5%
Boeing	10.2%	Boeing	-1.5%
Continental	10.0%	Continental	-1.5%
IBM	9.8%	IBM	-1.5%
Merck	9.5%	Merck	-1.5%
Microsoft	9.2%	Microsoft	-1.5%
Oracle	8.8%	Oracle	-1.5%
Procter & Gamble	8.5%	Procter & Gamble	-1.5%
Walt Disney	8.2%	Walt Disney	-1.5%
Yale	7.8%	Yale	-1.5%

Compiled by Morgan Stanley Capital International, Paris, on 1/1/90

International Herald Tribune

SPORTS

In NFL Conference Championships, It's NFC Glamour and AFC Grime

Aikman the Postseason Ace

By Mike Freeman
New York Times Service

IRVING, Texas — He will not be remembered for that boyish smile or those California good looks, even though he played his high school football in Henryetta, Oklahoma.

Few will remember his appearances on late-night television shows. Fewer will care that he has a video game called "Troy Aikman N.F.L. Football."

Troy Aikman is just 28 years old and on Sunday on the road against the San Francisco 49ers he could be on his way to sealing a permanent spot in history. What Aikman will be remembered for when his career is done — and that could be sooner than later — is what he has done in postseason play. The playoffs. The two Super Bowls. They have been his personal playgrounds.

"That's when Troy is at his best," said wide receiver Alvin Harper of the Dallas Cowboys. "When the stakes are high."

In the postseason, Aikman has been a rocket-armed assassin. If he should do what no other National Football League quarterback has done — win three consecutive Super Bowls — then he will have cemented his place in history.

For in this new age of the salary cap, there is more parity in the league, which would make it even more difficult in the future for a team to win three straight Super Bowls.

So while the 49er quarterback, Steve Young, hungers for his first ring, Aikman savors the success already tasted, and thirsts for more. If he plays on Sunday the way he has played to past postseason games against the 49ers, he just might get more.

And he may need more: The Cowboys' star running back, Emmitt Smith, jogged through plays during practice Thursday with all signs pointing to him



For three seasons, Troy Aikman has been a rocket-armed assassin, with a 7-0 record.

starting Sunday at Candlestick Park. But with Smith's nagging hamstring injury leaving him at less than full strength, even more pressure falls on Aikman's shoulders.

He has handled pressure well in the past. No quarterback — not Joe Montana, not Dan Marino, not Bart Starr, not Terry Bradshaw, not Roger Staubach — has accomplished in the playoffs what Aikman has achieved.

Since his team lost to the Detroit Lions in a playoff game three years ago, in which Aikman replaced Steve Buerlein in the second quarter, Aikman has been remarkable. There are a number of factors to choose from when breaking down his success, but the statistic that is indisputable is the record: 7-0.

There is something about the playoffs that raises Aikman's game to a higher level. Does he prepare any differently?

"Not really, because my approach to playoff games is the same," he said. "Probably mentally my focus is a little better during the playoffs, because I realize what is at stake. I like the urgency of the playoffs."

Aikman holds career postseason records for quarterback rating with 112.5 (Star is second at 104.8), for completion percentage at 71.9 percent (Young is second at 67.9 percent) and for average gain per pass attempt at 8.90 yards (Joe Theismann is next at 8.45).

For the 19 games he has played in December and January over the past three seasons, Aikman has completed 369 of 517 (71.4 percent) for 4,047 yards, passing, with 31 touchdowns, 12 interceptions and a 104.5 rating.

Aikman said of his six years in the league, this one was probably the least fun. The pressure has been immense on the Cowboys in their quest to three-peat. Not to mention the coach-

Steelers vs. Chargers Is The 'Other' Game

By Gerald Eskenazi
New York Times Service

PITTSBURGH — This is the place where Troy Aikman and Steve Young are not playing on Sunday.

That's somewhere out west, where Iron City Beer is a funky import from the Alleghenies, and where they'll be playing the National Football Conference championship game with glamour quarterbacks: The Cowboys against the 49ers. The teams that have won four of the last six Super Bowls.

"NBC and everyone is probably upset because Marino and Aikman aren't playing, and Neil and me are playing and we're just two quiet guys who go out and do their job," Stan Humphries said Thursday from San Diego.

To many fans, the Cowboys' game is the real Super Bowl, and the American Football Conference matchup between the Steelers and Chargers is merely to pick an opponent.

Neither Neil O'Donnell nor Humphries, the quarterbacks, has captured anyone's imagination outside of their hometowns. Even here, there was a cry for backup Mike Tomczak when O'Donnell was getting sacked repeatedly earlier this season.

Tomczak did start and win two games, against the Dolphins and Raiders, in November after O'Donnell had hip, ankle and shoulder injuries.

And Humphries is the only quarterback in the final four who has not been invited to be part of the NFL's Quarterback Club. That is a marketing operation in which 25 quarterbacks get royalties from the sale of their endorsed items.

"I'm not a guy who'll do 15 commercials," said Humphries. "It doesn't bother me at all that nobody across the country knows nothing about me."

Like it or not, the rest of the country will know some more about the AFC entrant, the perennial losing opponent. The NFL, after all, has won 10 straight Super Bowls.

"This dinks me off a little bit," said the Steelers inside linebacker, Chad Brown. "This whole AFC thing about getting

To many fans, the Cowboys' game is the real Super Bowl, and the AFC matchup is merely to pick an opponent.

happen. It's down to four teams now, and that's what we've been telling our players."

Still, the Steelers seem to want to distance themselves from the rest of the AFC. (Actually, they were an NFL team long before there was an AFC.)

"I don't think anyone considers us an AFC team," suggested Rod Woodson, the cornerback voted to the league's 75th anniversary team.

"What is the AFC?" he said, sounding perturbed. "What is a conference?"

But even Humphries, the former Washington Redskins quarterback, thought of the AFC in a certain way.

"When I was with the Redskins," he said, "I believed the AFC was more of a finesse league. Now you look at it, and it's more of an Eastern league."

Yancey Thigpen saw the cover of Sports Illustrated that proclaimed the 49ers-Cowboys game as "The Real Super Bowl."

"We don't feed off that," he said. "We'll see when the time comes. We're not flashy. We don't have a lot of deep passes. San Francisco has their big plays, and we're more conservative. Neil may not take as many chances as Aikman or Young, but he makes less mistakes."

Ray Seals, the defensive end, was among those scolded by Coach Bill Cowher on Thursday morning after he read that they were going to shoot a Super Bowl rap video next week if they defeated the Chargers.

He told them there was no sense in talking because they hadn't won anything. Not yet.

Still, Seals had to respond Thursday when asked what the Chargers would do against them.

"They won't score a touchdown," he said.

What about a field goal?

"They won't score against us," he added. "That's all I'm saying."

What else was there to say?

The NFL's Championship Games On Television In Europe and Asia

The NFC and AFC Championship Games on Sunday will be televised in the following countries by the following broadcasters, according to the National Football League. Game times are 1730 GMT (AFC) and 2130 GMT (NFC). Please check local listings for coverage.

EUROPE

France: Canal Plus
Germany: Premier, CSF
Italy: Telepiù 2
Scandinavia: ScanSat

ASIA/PACIFIC

China: Oriental TV, Beijing TV, Guangdong TV
Guam: Guam Cable
Indonesia: RCTI
Japan: NHK (satellite)
Korea: KBS
Micronesia: UMMA
New Zealand: Sky
Philippines: Channel 4
Taiwan: CTV
Thailand: TV3

Steelers and 49ers Have the Edge

New York Times Service

CHARGERS AT STEELERS: Key stats: The Chargers are 8-2 (including the victory over Miami last week) when rushing for at least 100 yards.

NFL MATCHUPS

The Steelers have allowed only two opponents to rush for over 100 yards since Week 4 and are 10-2 when holding teams under 100 yards rushing this season.

Comment: San Diego's last trip to the AFC championship was a 1982 game in Cincinnati, where the windchill was minus 59 degrees Fahrenheit (minus 50 centigrade). They lost, 27-7.

It won't be that cold at Three Rivers Stadium on Sunday, but Pittsburgh has the type of team that can freeze out the Chargers if they fall behind early.

The Steelers' rushing attack, with Barry Foster and Bam Morris, is much more potent than the Chargers', with Natrone Means. That gives Pittsburgh a big enough edge. Odds-makers favor the Steelers by 7 points.

NHL Players Ratify Contract

The Associated Press

NEW YORK — National Hockey League players on Friday ratified a new contract and headed for training camp to prepare for an abbreviated season. After a 103-day lockout, play is expected to begin in another week.

The ratification was announced by Bob Goodenow, executive director of the NHL Players Association.

"From start to finish, the lockout was an unfortunate situation for everyone involved in our sport," Goodenow said. "I am pleased that it has finally been resolved and I'm confident that once the season begins, the sport will regain the momentum it enjoyed at the end of last season."

Larry Murphy, player representative of the Pittsburgh Penguins, said it was ratified "by a majority of players on every team."

Official vote totals were not immediately available.

The approval was a signal for owners to open the doors they shut right before the scheduled start of the season on Oct. 1.

It was also a sign for the league to go into its hurry-up offense to get players back on the ice in time to start a 48-game season next week.

The NHL was expected to release the shortened schedule late Friday or Saturday.

Many players began flying into their team's cities on Thursday following a tentative agreement on the co-ownership between the NHL commissioner, Gary Bettman, and a union negotiating team led by Goodenow.

The two leaders finally came up with a deal Wednesday after three days of negotiations in New York.

Players examined the details of the deal on Thursday and teams held secret balloting Thursday night and Friday morning in an effort to meet deadline of noon New York time set by Bettman.

Announcement of the ratification came after a conference call among the players.

Many players had expressed disappointment with the contract. Some felt they had given up too much to the owners, particularly in the area of free agency and salary arbitration.

One player, Anaheim captain Randy Ladouceur, described Thursday's conference call between the player reps and the players as "heated."

A simple 51 percent majority from the some 700 NHL players was all that was needed to ratify the deal.

FAMILY FILMS by Ernie Furtado

ACROSS	1 Rhythmic music in 44 time	6 Teutonic cry	9 Drink topped with nutmeg	13 Rotors	17 All points bulletin	18 Words after "You can't fire me!"	20 Shine's companion	21 Early TV backdrop	22 "— saturated fats"	23 Watch over	24 As well	25 Carriage	26 Martin Brando title role	27 Jean Stapleton title role	31 Actress Thompson	32 — poison	33 Demonstrate	36 Lighters	38 Wyoona's moon
DOWN	1 Opposite of fortis, in phonetics	39 Cliff-dwelling bird	40 Fred Astaire title role	44 Pounds	45 William Tell's home	49 Remove by dissolving	50 Inquiries	52 Bulldog	53 Travel guide, of a sort	55 Payne Dunaway title role	60 "That is —"	61 Robert Burns's "The Bonnie — Thing"	62 Poetic dusk	63 Christian and others	64 Lachrymose	65 Sit still for	66 Turkish title	71 Patient's complaint	74 Female goat
10	122-Across, Richard Starkley	123 About one-ninth of an orchestra	124 Friend of Pooh	125 Isengrim's foe in fable	126 Elvis Presley and others' title role	127 "The Bonnie — Thing"	128 Poetic dusk	129 French kind	130 Poetry-reading Muse	131 "Round" Chopin's "Etude — Major"	132 Saroyan's "My Name Is —"	133 Jacques Tati title role	134 Lon Chaney Jr. title role	135 Brief upturn	136 Flag down	137 Black tea	138 Ty's folk	139 Old-timer in Wiesbaden	140 Actress Jefferys
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